

OGC Has Reviewed

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
5 December 1973

A special meeting of the Government Employees Health Association, Inc., Board of Directors was held on 5 December 1973 at 1:30 p. m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman

25X1

Absent

Enno H. Knoche, Director

25X1

25X1

The President called the meeting to order and announced that the first order of business was the appointment of two new Directors to replace [redacted] and [redacted] retired. The Deputy Director for Management and

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
ANNUAL MEETING  
23 January 1974

The President called to order the annual meeting of the Government Employees Health Association Incorporated at 10:00 a.m. on Wednesday, 23 January 1974. He stated that GEHA is governed by a Board of Directors and then showed a chart listing the Directors and Officers of the Association. The President briefly outlined the variety of insurance plans available to GEHA members and noted that if one chose to, he or she could satisfy essential insurance needs through their employment with the Agency.

The President next showed a chart which compared 31 December 1973 UBLIC, WAEPA, and Contract Life Insurance figures with the 31 December 1972 figures. He noted that UBLIC policies increased by 253 and that this increase raised the UBLIC face value total by almost \$11,000,000. The number of WAEPA policies decreased by 173 with the face value decreasing by slightly over \$4,000,000. Contract Life policies decreased by 28 with a resulting reduction of \$307,000. He commented that UBLIC paid almost \$500,000 to survivors of Agency employees and WAEPA had paid \$110,500. Contract Life had no deaths in 1973.

The next chart presented by the President indicated the amount of UBLIC coverage held by retired employees. He pointed out that we have a good many retirees under age 60 with UBLIC coverage  and that this in part reflects a decision made by the Board of Directors during the Spring surplus exercise as one way of easing the burden already being carried by those employees. The decision provided that anyone retiring between 2 January 1973 and 30 June 1974 and whose coverage was in effect on 1 January 1973 could continue to be covered to age 60 even though the necessary 10 years of coverage prior to retirement had not been met. If, by age 60, he has ten years coverage, he moves into free retirement coverage. If not, his coverage ceases.

The President then spoke of the tremendous liability that the GEHA has with respect to our UBLIC retirees and the importance of looking at this actuarially on a regular basis. He went on to say that the underwriter is now doing this to be absolutely sure that reserves we are holding are sufficient to fund the retiree program. He pointed out since 1966, when the program was launched, almost \$270,000 has been paid to retirees or survivors of retirees. He remarked that we are very proud of this program.

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The President next presented a chart reflecting the health insurance activity of GEHA. Before he got into the specifics of this program he mentioned that each year we have an open season, during which employees have the option of switching from one plan to another. He noted that enrollment in our plan, the Association Benefit Plan, was 180 less than it was in December 1972, that employees reasons for switching are personal and that he did not see this loss as a problem. He also mentioned that enrollment in the Contract Health Plan was 18 less than it was in December 1972.

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The President then reviewed the benefits paid under the ABP and Contract Health Plans. He stated that over [ ] members filed nearly [ ] claims in 1973, resulting in the payment of some \$6,200,000 in benefits. He pointed out that the pay-off in benefits increased by more than \$700,000 in 1973 over 1972, and that the number of claims submitted by members increased by over 4,000. STAT

The President next reviewed the highlights of the year, noting that basic benefits for doctor's charges for maternity were increased from \$150 to \$250 for normal delivery, and from \$300 to \$400 for Cesarean section. Anesthetists benefits were increased from \$20 to \$60. The services of a Licensed Practical Nurse are now covered under major medical benefits when the patient is confined in a hospital. Hospital charges for doctors' services in the outpatient department are now paid under basic benefits. Formerly they were paid under major medical. Also approved for 1974 was a rate increase of 9%. The greatest part of this increase resulted from increased claims; however, a portion of the increase represents improvements in benefits.

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The President announced the loss of key GEHA personnel last year: The Director of Personnel, [ ] who was Chairman of the Board for several years retired, as did Messrs. [ ] and [ ]. He went on to say that with these losses we lost a lot of experience, and in particular a lot of financial expertise in [ ] who was Chairman of the GEHA Investment Committee. He noted that the rules for the election of the Directors were changed as was their tenure. Board members tenure in now two years instead of one. STAT

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The President then opened the meeting to questions from the floor. Noting that [ ] has always taken the time to come to GEHA's annual meetings, he invited him to raise the first question. [ ] asked about charges for intensive care in a hospital. The Secretary of GEHA, [ ] answered that charges for intensive care are treated as hospital miscellaneous expenses and as such are paid in full under the basic benefits of the Plan. STAT



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[ ] next asked if any further thought had been given to providing coverage for long term cases - cancer, leukemia, stroke and so forth - remarking that he had asked this same question before. The President said he thought he had mentioned at last years GEHA meeting that the Director had asked us to look into developing a special catastrophic illness package just for CIA. The Board had some specific proposals but because Congressional interest in comprehensive health plans with specific provisions for catastrophic illnesses was so great, the feeling by command was to wait and see what Congressional action will be taken in this regard. The President went on to say that if a person feels the need for filling that gap in his insurance coverage, it's available on the outside but it would be expensive, adding that he wasn't sure that there would be all that much interest, or at least enough interest to convince the Underwriter to write such a plan for us. The President said that he would have the Secretary of GEHA see what our Underwriter has available and advise [ ] accordingly.

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[ ] next question concerned the combining of the Specific Disease Plan with the regular one; i. e., would it make sense to do so? The President answered no, stating that to incorporate that coverage into the Association Benefit Plan would force everybody to participate in a coverage which is already very inexpensive on an elective basis to the limited number of people interested in it.

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[ ] last question concerned our effort to increase participation in the health program. The President stated that we couldn't be criticized for lack of participation in the health program. Over 80% of the Agency people are covered. He went on to say that in past years we were surprised at how few people were buying our life insurance; but now we are feeling much more comfortable about that because we have [ ] people who have UBLIC, and this generally in addition to FEGLI. In answer to the general question, the President stated that everywhere we go we talk about our program - our weekly EOD briefing, Trends & Highlights, Mid-career, and the various divisions and staffs that call for briefings. He added, we periodically put out the Support Bulletin, noting that it wasn't long ago that we had one devoted entirely to Benefits and Services. The President remarked that there were still too many instances where our people going out to meetings with survivors would tell them that their benefits included FEGLI but no WAEPA and no UBLIC. He said this is still going to happen, but he didn't think a lack of awareness that such coverage exists will be the reason.

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There being no further questions, the President thanked everyone for coming and the meeting was adjourned.

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[ ]

Secretary

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ANNUAL MEETING OF

YOUR

GOVERNMENT

EMPLOYEES

HEALTH

ASSOCIATION

INCORPORATED UNDER THE LAWS OF THE DISTRICT OF COLUMBIA  
IN THE INTEREST OF INSURANCE PROTECTION FOR AGENCY EMPLOYEES

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PROVIDING A VARIETY OF INSURANCE PLANS

- LIFE INSURANCE

UBLIC  
WAEPA  
CONTRACT

- HEALTH INSURANCE

ASSOCIATION BENEFIT PLAN  
(HOSPITAL, MEDICAL & SURGICAL)  
CONTRACT HOSPITALIZATION  
SPECIFIED DREAD DISEASE PLAN

- DISABILITY INSURANCE (INCOME REPLACEMENT PLAN)

- ACCIDENTAL DEATH & DISMEMBERMENT INS. (24 HOUR FAP)

- TRAVEL INSURANCE

AIR FLIGHT TRIP  
MILITARY AIR FLIGHT TRIP

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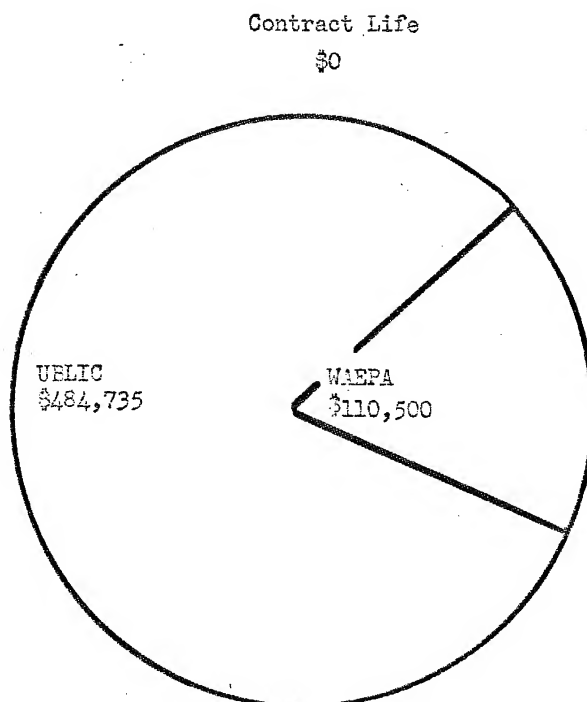
Comparison with 31 December 1972 figures:

UBLIC - Policies increased by 253	Insurance increased by \$10, 920, 092
WAEPA - Policies decreased by 173	Insurance decreased by \$4, 012, 500
Contract - Policies decreased by 28	Insurance decreased by \$307, 500

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Life Insurance Benefits Paid in 1973 - \$595,235



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Comparison with 1972 benefits:

UBLIC benefits down \$ 97,652

WAEPA benefits down \$157,504

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Enrollment in the Association Benefit Plan is 180 less than the  
31 December 1972 figure.

Enrollment in the Contract Health Plan is 18 less than the  
31 December 1972 figure.

Health Insurance Benefits increased by \$705, 696 over 1972. Number of claims  
increased by approximately 4, 095.

Approximately 81% of these claims were paid in the Agency's Insurance Branch

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#### HIGHLIGHTS

The following Benefit Changes in the Association Benefit Plan were submitted to the Civil Service Commission for the 1974 contract year:

Basic Benefits for doctors' charges for maternity to be increased from \$150 to \$250 for normal delivery, and from \$300 to \$400 for cesarean section. The anesthetists' benefit to be increased from \$20 to \$60.

Provide under Major Medical Benefits, coverage for the services of a licensed practical nurse when the patient is confined in a hospital.

Pay under Basic Benefits hospital charges for doctors' services in the out-patient department. These charges formerly paid under Major Medical Benefits.

The above changes were approved by the Commission on 31 August 1973 and became effective on 1 January 1974. On 21 September 1973, the Commission approved a rate increase of approximately 9% over the 1973 rates. The new rates became effective on 6 January 1974.

Losses of key GEHA personnel were experienced in 1973.  former

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and Deputy Chief of the Insurance Branch was reassigned and subsequently replaced.

Article V of the GEHA By-laws was amended to provide for the election of Directors at times other than during the annual meeting of the Association. The amendment also re-defined the terms of the Directors and provides for the election of their successors in the event of vacancies resulting from causes other than expiration of term.

The Board of Directors approved a temporary suspension of the present ten-year requirement in order to carry UBLIC into retirement; i. e., all employees who retire between 2 January 1973 and 30 June 1974, and whose UBLIC coverage was in effect on 1 January 1973, will be eligible to continue their present level of coverage without regard to the ten-year requirement. This time will count toward meeting the ten-year requirement. At age 60 if

the employee has by that time held the UBLIC coverage for the necessary ten years, he will be granted the free insurance. If at age 60 the retiring employee does not have ten years of coverage, he will not be eligible for free insurance.

The UBLIC premium structure was changed; i. e., adjusted according to age, similar to that of plans sponsored by other organizations or associations. This was necessary in order for the program to be actuarially sound. The new premiums and the following two other modifications of the plan became effective 1 October 1973: the available amounts of life insurance changed to even multiples of \$5,000, except for the maximum which remains at \$36,000, and the maximum accidental death and dismemberment benefit increased to equal the amount of life insurance.

The Contract Health Insurance plan was renegotiated with the underwriter so that both the benefits and the cost, including the Agency contribution, became equal to that of the plan offered to staff employees. The effective date of these changes was 1 January 1974.

A revised payroll system made it possible for UBLIC, WAEPA, and Contract Life insurance premiums to be made by payroll deductions resulting in improved service to policyholders and increased efficiency of operation. The September 1973 premium was the last paid by

cash or check.

The WAEPA life insurance plan was changed considerably in 1973. Until May, only employees of selected Federal agencies and departments were eligible for membership. Now all Federal employees, who meet the age and health requirements, can enroll in a WAEPA plan. Two plans, Standard and Economy, are now offered. The Economy plan provides half the coverage provided by the Standard plan for approximately half the Standard premium. The premium structure was changed resulting in lower premiums for the under 41 age groups. This change in rates was obviously done to attract younger members. We have not detected any increased interest in the WAEPA plan by Agency employees because of these changes. On the contrary, the number of Agency employees enrolled in the WAEPA plan decreased by 173 during 1973.

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
15 April 1974

A regular meeting of the Government Employees Health Association, Inc., Board of Directors was held on 15 April 1974 at 2:00 p.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman

[Redacted area]

Absent

Enno H. Knoche, Director

[Redacted area]

The Chairman called the meeting to order and asked the President to explain the proposed benefit and rate changes in the Association Benefit Plan for 1975 (see attachments). The President said the deadline for submitting changes in our Health Benefits Plan to the Civil Service Commission is 30 April 1974. He further indicated that the additional benefits recommended in the attachment are intended to correct some present deficiencies in the Plan with a minimal change in premium costs to employees. The small increases in premium costs which would result from implementation of the six proposed changes would be closely offset by the increase in the Government's share of premium payments in 1975, thus creating no undue hardship on employees already enrolled in the Plan. After a short discussion, [redacted] moved that the recommendations to add benefits IA. and II through VI on the attachment and accompanying rate changes be adopted. [redacted] seconded the motion, which was unanimously approved.



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The President then reminded those present of a UBLIC policy which was adopted by the Board during the Agency's 1973 employee surplus exercise as a morale booster -- a special ruling permitting continued participation in UBLIC by retirees with less than ten years' UBLIC coverage. Since waiver of the UBLIC tenure requirement is due to expire 30 June 1974, the President asked the Board to consider the question of continuing the policy for another year or letting it expire. After some discussion, the Board agreed that continuing this policy would set a precedent that would be difficult to end at some future date. Since the 1974 surplus exercise is expected to be a small one, the Board's opinion was that they not continue the policy in 1974. [redacted] moved to let the policy of waiving UBLIC tenure requirements expire on 30 June 1974. [redacted] seconded the motion and it was unanimously approved.

There being no further business, the meeting was adjourned at 2:27 p.m.



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ASSOCIATION BENEFIT PLAN 1975  
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PROPOSED BENEFIT CHANGE	MONTHLY COST TO ADD BENEFIT	
	Self Only	Self & Family
I. Improvement of Surgical Benefits by:		
a. Full Payment of Surgical Charges	1.24	3.60
or		
b. Full Payment of First \$1,000 of Surgical Charges	1.00	3.22
or		
c. Increase Unit Value of Surgical Schedule from \$6 to \$8	.52	1.66
or		
d. Increase Unit Value of Surgical Schedule from \$6 to \$10	1.04	3.32
II. Basic Benefit of \$10 per Doctor's Visit to Hospital Inpatient	.70	1.70
III. Payment of major medical benefits for eyeglasses and examinations for them when required to correct an impairment directly caused by accidental ocular injury or intraocular surgery and obtained within one year of the injury or surgery	.00	.00
IV. Increase Major Medical Maximum		
to \$75,000	.02	.06
to \$100,000	.04	.11
V. Increase Out-of-Hospital X-ray and Lab from \$75 to \$100	.18	.48
VI. Increase Basic Hospital Benefit from 180 to 365 days	.21	.47

COMPARISON OF MONTHLY PREMIUMS

TYPE OF ENROLLMENT		1975 ABP With All Benefits Added	1974 PREMIUMS		
			ABP	Blue Cross	Aetna
Self Only	EMPLOYEE PAYS	\$ 5.08	\$ 5.09	\$13.86	\$10.91
	Agency Pays	14.26	11.88	11.88	11.88
	Total Premium	19.34	16.97	25.74	22.79
Self and Family	EMPLOYEE PAYS	\$19.47	\$19.03	\$33.16	\$27.09
	Agency Pays	35.53	29.61	29.61	29.61
	Total Premium	55.00	48.64	62.77	56.70

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
25 July 1974

A regular meeting of the Government Employees Health Association, Inc., Board of Directors was held on 25 July 1974 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

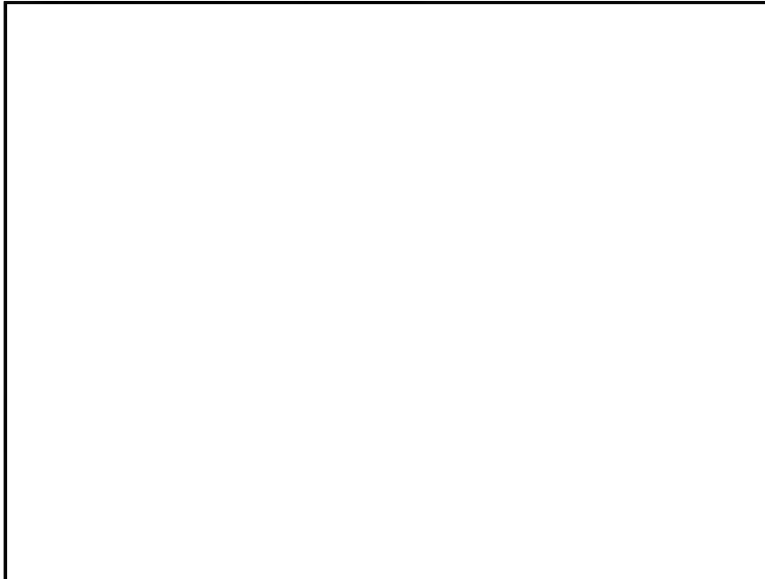
Directors

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F. W. M. Janney, Chairman



Enno H. Knoche



Absent

The Chairman called the meeting to order and asked the President to report the information that he had regarding the Association Benefit Plan for 1975.

The President stated that in a meeting with the underwriter, we were advised that projected inflation and increased claims experience of the Plan will require a 33% increase in premiums. In dollars, this means that the Plan will need approximately \$9,416,000 in 1975 as compared with 1974's figure of \$7,761,000. One of the major causes of this increase is a tremendous increase in hospital costs. Our experience with the underwriter shows that their past projections have always been very close to our actual requirements.

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The President then indicated that not all of this increase in premium will have to be borne by the employee. First, the Government contribution toward health insurance premiums, which is set by law, will be increased in 1975. It is based on a percentage of six of the largest plans in the Federal Employees Health Benefits Program and that percentage is scheduled to be increased from 50% to 60% in January 1975. Furthermore, the premiums of these six plans are also expected to be increased in 1975, and will therefore, further increase the Government contribution to premiums.

A second way in which the increase in cost to the employee could be reduced would be to request a payment from the Plan's Contingency Reserve, which is held by the Civil Service Commission. This has been done for the last two years with approximately 1/12th of the annual premium coming from that source. The President noted that Board members were aware that use of the contingency reserve merely postponed the time when a large increase in premiums would have to be passed on to policyholders. For this reason, the President expressed a word of caution about doing so again in 1975. He indicated that in some year beyond 1975 the Plan might face the possibility of an even greater increase and would therefore have a greater need for use of Contingency Reserve funds. The President reported that the balance in the Contingency Reserve at the end of 1974 will be approximately \$1,500,000 and regulations require a minimum balance of one month's premium. In view of this, the President indicated that it might be wiser to inform the Commission of the premium increase that is needed and indicate that we wish to defer any decision about use of the Contingency Reserve money until this fall when the actual Government contribution will be known. Mr. Tinsley of the Civil Service Commission has indicated that he will accept such a proposal.

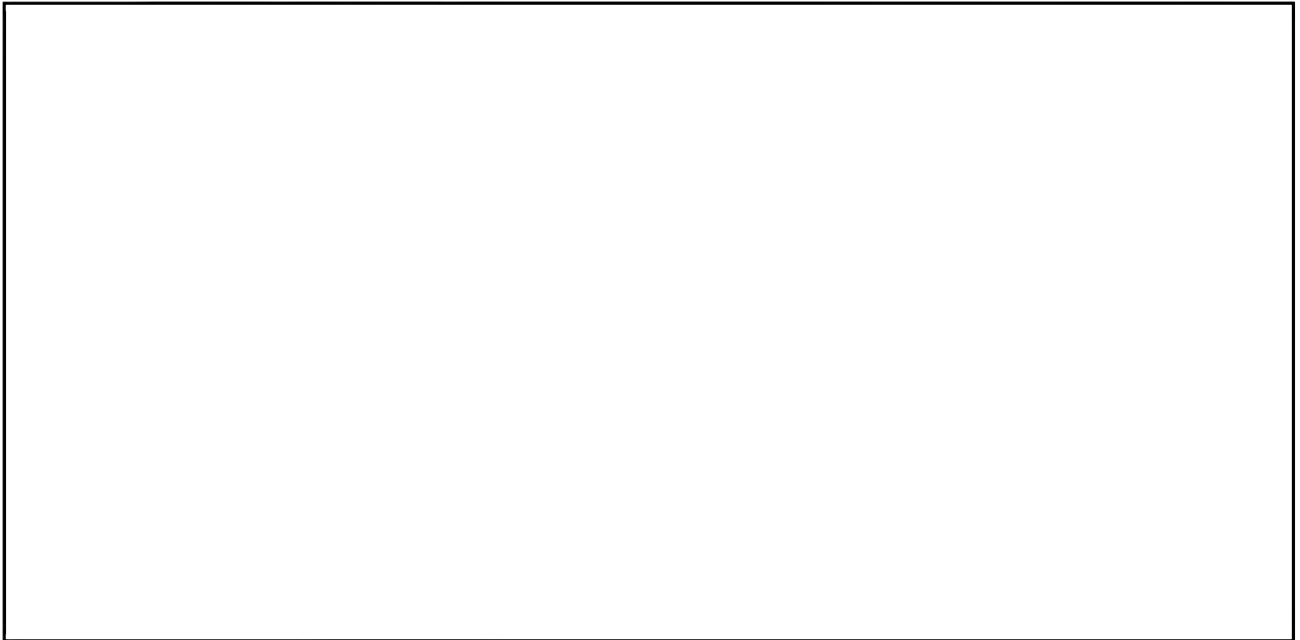
The President then passed out sheets comparing the present costs of the various health insurance plans as well as indicating the difference in cost to the employee with a Contingency Reserve supplement in 1975 and without it. After a general discussion on the subject of the 1975 rates, Mr. Knoche moved that we notify the Civil Service Commission of our need for a 33% rate increase as recommended by the underwriter and that we express our desire to retain the option to consider a contingency release. This motion was seconded by  STAT  
It passed unanimously.

The Chairman then appointed Board members to serve as a Nominating Committee for the election of new officers. This Committee will select three candidates from each Agency Directorate and two candidates from the Director's Office to run for election by the GEHA membership. Two members from each Directorate plus one member from the Director's Office will be elected to serve for two-year terms beginning in January 1975. Board members chosen to serve on the Nominating Committee are:

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The President then presented a brief report on the current status of the UBLIC program. As a result of several deaths in July, the UBLIC program will probably only break even this year. If there is another insured death in July, we will have more claims than premiums coming in. This is the third year in a row that we have had no return in premiums to improve this program. A searching review appears appropriate to determine if changes are necessary. The WAEPA plan, for instance, had to change its retiree coverage in order to retain financial stability. The Office of Personnel could undertake a study of UBLIC in the next 3-5 months and with the help of the Underwriter develop information for presentation to the Board. It was the unanimous agreement of the Board that it would be prudent for OP to study the UBLIC with the Underwriter and to report its findings to the Board.

The meeting was adjourned at 10:32 a.m.



Assistant Secretary

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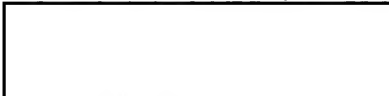
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
22 October 1974

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 22 October 1974 at 9:15 a.m. in Room 4 E 64, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Enno H. Knoche



Absent

The Chairman called the meeting to order at 9:15 a.m. Purpose of this meeting was to vote on release of funds from the Contingency Reserve which in turn would affect the cost to the employee enrolled in the Association Benefit Plan in 1975. The President summarized highlights of the July meeting when it was announced that the Civil Service Commission would be willing to release funds from our Contingency Reserve in order to alleviate the impact on employees of higher premium rates in 1975.

The President then compared 1974 rates with 1975 rates among three plans: the Association Benefit Plan, Blue Cross-Blue Shield and Aetna. (Figures shown in the attachment

were displayed on the board by the President for discussion purposes.) If funds are not used from our Contingency Reserve, the cost to our employees for the Association Benefit Plan will increase 42% in 1975 for the self and family coverage. If we use half of what the Civil Service Commission is willing to give us from our Contingency Reserve, the cost to our employees will increase 28%. Or, if we use all the funds available to us from the Contingency Reserve, the cost to employees will increase only 14%.

The above three alternatives were discussed by Board members. The President said that our Contingency Reserve would total approximately \$1,500,000 in January 1975. If we use no money from the Contingency Reserve, the Contingency Reserve will increase in 1975 to \$1,948,000; if we take half of the amount available from the Contingency Reserve, it would then total \$1,556,000; and if we used all money available to us from the Contingency Reserve, we would be left at the end of 1975 with a balance of \$1,163,000. The President said we must look ahead to 1976 when premiums and the cost to the employee may go up even higher, in which case we would again have to take funds from the Contingency Reserve.

The President pointed out that the cost to the employee will actually go down for employees enrolled in Blue Cross-Blue Shield or Aetna, while the cost to the employee enrolled in the Association Benefit Plan will increase under any of these alternatives. However, the Association Benefit Plan is increasing its benefits whereas Aetna, for example, is cutting back its benefits (i.e., psychiatric care). The President suggested that the Board may not want to increase any benefits in 1976, in order to keep the cost to the employee down.

The Board agreed that by using half of the funds available to us from the Contingency Reserve, the Association Benefit Plan in 1975 would still be competitive with the Blues and Aetna -- still under the Blues in the cost to the employee and slightly over the cost for those enrolled in Aetna. Further, Board members felt it would be prudent not to deplete our Contingency Reserve too quickly in view of the uncertainty of the future. [REDACTED] made a motion that we use half of the funds available to us from the Contingency Reserve, which in turn would reduce the amount of increase to be borne by employees enrolled in the Association Benefit Plan. Mr. Knoche seconded the motion and it was unanimously passed.

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The President, in closing the meeting, reminded Board members that nominations are due from each Directorate for election to the GEHA Board. The meeting was adjourned at 9:29 a.m.



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Secretary

Attachment:  
As stated

SELF AND FAMILY

		1975 PREMIUMS			
P' N		1974 Premium	Without Contingency Fund	With 1/12 Paid From Contingency Fund	With 1/24 Paid From Contingency Fund
GEHA	Total	22.45	31.42	28.94	30.18
	Gov. Pays	<u>13.67</u>	<u>18.93</u>	<u>18.93</u>	<u>18.93</u>
	Emp. Pays	<u>8.78</u>	<u>12.49</u> (+3.71 or 42%)	<u>10.01</u> (+1.23 or 14%)	<u>11.25</u> (+2.47 or 28%)
BLUES	Total	28.97	31.81		
	Gov. Pays	<u>13.67</u>	<u>18.93</u>		
	Emp. Pays	<u>15.30</u>	<u>12.88</u> (-2.42 or -19%)		
AETNA	Total	26.17	28.70		
	Gov. Pays	<u>13.67</u>	<u>18.93</u>		
	Emp. Pays	<u>12.50</u>	<u>9.77</u> (-2.73 or -16%)		

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SELF ONLY

			1975 Premiums		
PLAN			Without Contingency Fund	With 1/12 Paid From Contingency Fund	With 1/24 Paid From Contingency Fund
1974 Premium					
GEHA	Total	7.83	10.99	10.13	10.56
	Gov Pays	5.49	7.64	7.60	7.64
	Emp Pays	2.34	3.35 (+1.01 or 43%)	2.53 (+.19 or 8%)	2.92 (+.58 or 25%)
BLUES	Total	11.88	13.04		
	Gov Pays	5.49	7.64		
	Emp Pays	6.39	5.40 (-.99 or -18%)		
AETNA	Total	10.52	11.52		
	Gov Pays	5.49	7.64		
	Emp Pays	5.03	3.88 (-1.15 or -30%)		

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18 February 1975

MEMORANDUM FOR: [REDACTED]

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SUBJECT : GBHA Board of Directors

A meeting of the Board of Directors, Government Employees' Health Association, Inc., has been scheduled for 24 February 1975 at 0930 in Room 5 E-62, Headquarters Building. The specific purpose of this meeting is to elect a Chairman of the Board and officers.

[REDACTED]  
Assistant Secretary, GEHA

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Distribution:

Original - Addressee  
1 - GEHA Minutes

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18 February 1975

MEMORANDUM FOR:

SUBJECT : GEHA Board of Directors

A meeting of the Board of Directors, Government Employees' Health Association, Inc., has been scheduled for 24 February 1975 at 0930 in Room 5 E-62, Headquarters Building. The specific purpose of this meeting is to elect a Chairman of the Board and officers.

Assistant Secretary, GEHA

Distribution:

Priginal - Addressee  
1 - GEHA Minutes

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18 February 1975

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18 February 1975

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SUBJECT : GEHA Board of Directors

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Assistant Secretary, GEHA

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18 February 1975

MEMORANDUM FOR:

SUBJECT : GEHA Board of Directors

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Assistant Secretary, GEHA

Distribution:

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18 February 1975

MEMORANDUM FOR: Mr. Enno H. Knoche

SUBJECT : GEHA Board of Directors

A meeting of the Board of Directors, Government Employees' Health Association, Inc., has been scheduled for 24 February 1975 at 0930 in Room 5 E-62, Headquarters Building. The specific purpose of this meeting is to elect a Chairman of the Board and officers.

Assistant Secretary, GEHA

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18 February 1975

MEMORANDUM FOR:   
SUBJECT : GEHA Board of Directors

A meeting of the Board of Directors, Government Employees' Health Association, Inc., has been scheduled for 24 February 1975 at 0930 in Room 5 E-62, Headquarters Building. The specific purpose of this meeting is to elect a Chairman of the Board and officers.

Assistant Secretary, GEHA

Distribution:  
Original - Addressee  
1 - GEHA minutes

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18 February 1975

MEMORANDUM FOR: Mr. F. W. M. Janney

SUBJECT : GEHA Board of Directors

A meeting of the Board of Directors, Government Employees' Health Association, Inc., has been scheduled for 24 February 1975 at 0930 in Room 5 E-62, Headquarters Building. The specific purpose of this meeting is to elect a Chairman of the Board and officers.

Assistant Secretary, GEHA

Distribution:

Original - Addressee  
1 - GEHA Minutes

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
ANNUAL MEETING  
24 January 1975

The President called to order the annual meeting of the Government Employees Health Association, Inc. at 10:00 a.m. on Friday, 24 January 1975. He explained that an annual meeting is held to provide information to members on the broadsweeping insurance program which we have, and to give them an opportunity to raise questions directly concerning the program. He explained that during his presentation he would be showing some charts and asked that any questions be brought up as they come to mind rather than wait until the end of his talk.

The first two charts listed the current members of the Board of Directors and Officers of the Association. The variety of insurance plans available to GEHA members were then briefly outlined by the President.

The next chart indicated the amount of life insurance in force (over \$182,000,000) and compared 31 December 1974 UBLIC, WAEPA, and Contract Life Insurance in force with the 31 December 1973 figures. He noted that UBLIC enrollment increased by 200 members, WAEPA enrollment decreased by 100, and Contract Life enrollment decreased by 13. The President also noted that UBLIC paid more than \$720,000 to survivors of Agency employees, WAEPA \$130,000, and Contract Life \$15,000.

Next the President presented a chart showing how the UBLIC retiree program is doing. He noted that the program was initiated in June 1966 and that as of 31 December 1974, we had [ ] retirees under age 60 carrying a massive amount of protection - \$21,500,000. He went on to explain that when an individual attains age 60 they are placed into the second category of this program and that there are [ ] in this category. As the retiree reaches age 70, he moves into a third category with a further reduction in coverage. There are [ ] former employees in this category with a total coverage of \$19,635. The President stated that since this retiree program went into force, we have paid 46 claims totalling nearly \$600,000.

The next chart presented by the President reflected the health insurance activity of GEHA. He pointed out that a membership of [ ] had submitted nearly [ ] claims in 1974, resulting in the payment of \$7,306,000 in benefits. He noted that although enrollment in the Plan was 30 less than in 1973, the number of claims increased by nearly 1,600, and benefits paid during 1974 were over \$1,000,000 more than benefits paid during 1973.

The President next reviewed the highlights of the year noting that major changes were made in the Association Benefit Plan for the 1975 contract year. Some of the changes he mentioned were: the number of days for which hospital inpatient expenses are paid in full was increased from 180 to 365 days, the maximum major medical benefit per person was increased from \$50,000 to \$100,000. Maternity benefits are now payable under self-only enrollments and for all female family members under a self-and-family enrollment, and surgical benefits were improved.

The President then opened the meeting to questions from the floor. A question concerning maternity benefits was raised and the President responded that we are now allowing maternity benefits for self-only enrollments. He stated that this was done first, to get in line with what's happening in the world generally; secondly, to become competitive with other plans and thirdly, to fulfill our responsibilities to individual members.

The President remarked that he had not mentioned where we were on the UBLIC retiree program. He stated that this program is funded by the UBLIC reserves - currently \$2,154,225. He went on to say that this program is reviewed annually just to be sure that we can continue to offer the program.

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Next the President spoke of the requirement to have an election of GEHA Board of Directors every 2 years. He identified the

[REDACTED]

DCI's Office.

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As the President was about to close the meeting, [REDACTED] rose and made a statement for the record complimenting the Insurance Branch employees on the fine work they perform for Agency employees.

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The President thanked [REDACTED] for his compliment and the meeting was adjourned.

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[REDACTED]

Secretary



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ANNUAL MEETING OF  
YOUR

GOVERNMENT  
EMPLOYEES  
HEALTH  
ASSOCIATION

INCORPORATED UNDER THE LAWS OF THE DISTRICT OF COLUMBIA  
IN THE INTEREST OF INSURANCE PROTECTION FOR AGENCY EMPLOYEES

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PROVIDING A VARIETY OF INSURANCE PLANS

- LIFE INSURANCE

UBLIC  
WAEPA  
CONTRACT

- HEALTH INSURANCE

ASSOCIATION BENEFIT PLAN  
(HOSPITAL, MEDICAL & SURGICAL)  
CONTRACT HOSPITALIZATION  
SPECIFIED DREAD DISEASE PLAN

- DISABILITY INSURANCE (INCOME REPLACEMENT PLAN)

- ACCIDENTAL DEATH & DISMEMBERMENT INS. (24 HOUR FAP)

- TRAVEL INSURANCE

AIR FLIGHT TRIP  
MILITARY AIR FLIGHT TRIP

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Comparison with 31 December 1973 figures:

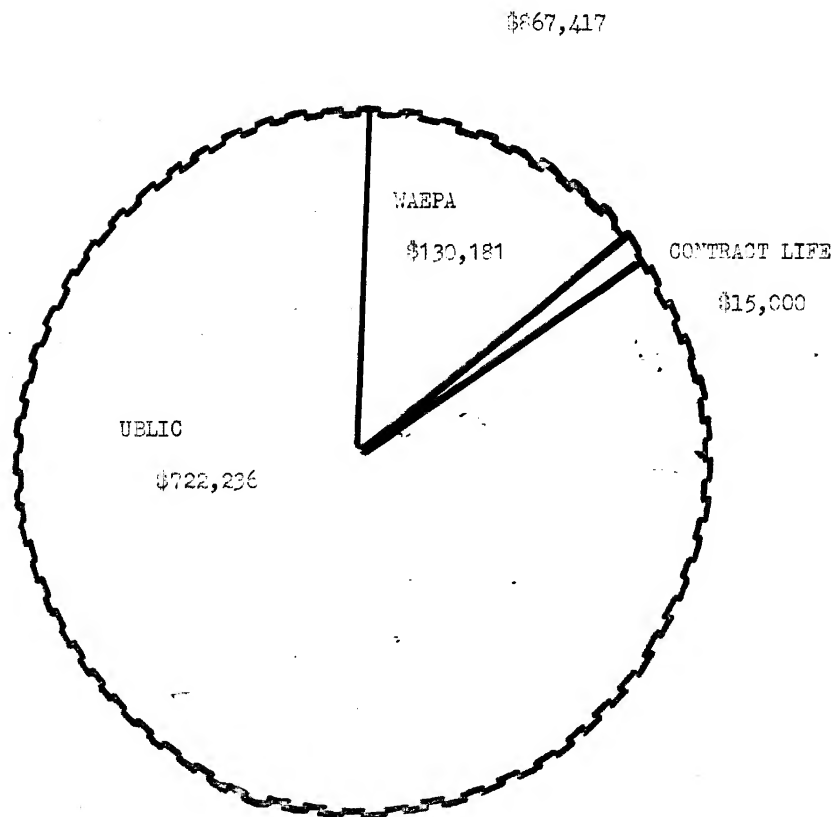
UBLIC - Policies increased by 200      Insurance increased by \$5,611,854

WAEPA - Policies *de*creased by 100      Insurance decreased by \$2,700,000

Contract - Policies decreased by 13      Insurance decreased by \$112,500

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LIFE INSURANCE BENEFITS PAID IN 1974



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Comparison with 1973 benefits:

UBLIC benefits up	\$237,501
WAEPA benefits up	\$ 19,681
Contract Life benefits up	\$ 15,000

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Enrollment in the Association Benefit Plan is 30 less than the 31 December 1973 figure.

Enrollment in the Contract Health Plan is 17 less than the 31 December 1973 figure.

Health Insurance Benefits increased by \$1,098,792 over 1973. Number of claims increased by approximately 1,553.

Approximately 72% of these claims were paid in the Agency's Insurance Branch.

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#### HIGHLIGHTS

The following Benefit Changes in the Association Benefit Plan were submitted to the Civil Service Commission for the 1975 contract year:

1. Full payment of regular and customary charges for surgery under basic benefits.
2. Basic benefits of up to \$10 per visit to be payable for each doctor's visit to hospital inpatients for up to 365 days - when the visit is unrelated to surgery.
3. Basic benefits for out-of-hospital X-ray and laboratory expenses to be increased from \$75 to \$100 per person per calendar year.
4. The number of days for which hospital inpatient expenses are paid in full to be increased from 180 to 365 days.
5. The maximum major medical benefit per person to be increased from \$50,000 to \$100,000.
6. Maternity benefits to be payable under self-only enrollments, and for all female family members under self-and-family enrollments.
7. Major medical benefits to be payable for one pair of eyeglasses, or contact lenses, and examinations therefor, if required to correct an impairment directly caused by accidental ocular injury or intraocular surgery and obtained within one year thereof.
8. Surgical benefits to be provided for the removal of impacted teeth.

9. The requirement that a patient be referred by a psychiatrist before benefits are payable for services rendered by a psychologist to be deleted.

The above changes were approved by the Commission on 19 July 1974 and became effective on 1 January 1975. On 22 October 1974, the Commission approved a rate increase of approximately 33% over the 1974 rates. However, not all of this increase was passed on to the enrollee, because the Commission again authorized the ABP to use funds from its contingency reserve to offset part of this increase. The new rates became effective on 5 January 1975.

Public Law 93-246, approved 31 January 1974, amended the Federal Employees Health Benefits Act as follows:

1. The government contribution for 1974 was increased from 40 to 50 percent of the unweighted average high option premium of the six largest plans of the program. (The effective date of the change was the first day of the first pay period which began on or after 1 January 1974.)
  2. For 1975 and subsequent years, the government contribution will be 60 percent.
  3. The maximum government contribution permitted for any particular plan was increased from 50 to 75 percent of that plan's premium.
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During 1974, the number of persons reimbursed from the health insurance trust liability was increased from 14 to 16. This brings the total number of reimbursable positions in the Insurance Branch to 19, with 2 being paid with funds from the UBLIC trust liability and 1 from the contract life trust liability.

Annual Report  
Jan '75

SUMMARY OF INSURANCE ACTIVITY  
1 January through 31 December 1974

Premiums Paid to Underwriters

UBLIC	682,721	
Dependent Premium	36,021	
WAEPA	194,137	
Contract Life	20,554	
Association Plan Hospitalization	5,855,290	
Retirees	1,587,856	
Contract Hospitalization	58,726	
Air Flight	5,884	
Income Replacement	15,543	
Specified Diseases	6,935	
Flight and Accident Plan	56,397	
Military Air Flight	450	<u>\$8,520,474</u>

Claims Paid by Underwriters

Association Plan Hospitalization	5,234,339	
Claims Paid by Underwriter (retirees)	2,017,883	
Contract Hospitalization	54,466	
*UBLIC	722,236	
**WAEPA	130,181	
***Contract Life	15,000	
Air Flight	000	
Military Air Flight	000	
Income Replacement	6,480	
Specified Diseases	000	
Flight and Accident Plan	000	<u>\$8,180,585</u>

\* 9 @ 36,000; 1 @ 25,000; 1 @ 20,000; 2 @ 15,000; 1 @ 10,000;  
4 Ret. @ 36,000; 1 Ret. @ 30,000; 2 Ret. @ 25,000; 1 Ret. @  
20,000; 1 Ret. @ 10,000; 2 Ret. @ 5,000; 1 Ret. @ 3,750; 1 Ret.  
@ 3,729.17; 1 Ret. @ 3,270.83; 3 Ret. @ 3,000; 1 Ret @ 2,736.11;  
1 Ret. @ 1,500; 3 Dep. @ 3,000; 3 Dep. @ 2,500; 1 Dep. @ 2,250;  
1 Dep. @ 2,000; 1 Dep. @ 1,500; and 3 Dep. @ 1,000.

\*\* 1 @ 25,068.49; 2 @ 25,000; 1 @ 20,063.01; 1 @ 20,049.32 and  
5 Dep. @ 3,000.

\*\*\* 1 @ 15,000.

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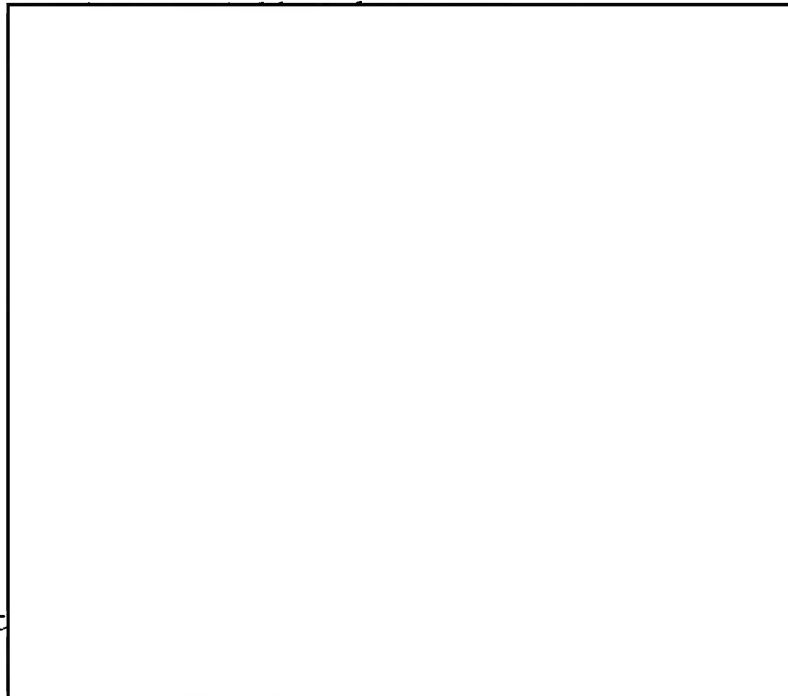
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
24 February 1975

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 24 February 1975 at 9:30 a.m. in Room 5 E 62, Headquarters. Those present were:

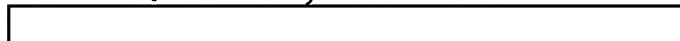
Directors

F. W. M. Janney, Chairman



Absent

Enno H. Knoche, Director



The President called the meeting to order, and the newly elected Directors, [REDACTED] were introduced and welcomed.

First order of business was the election of a Director as Chairman and appointment of Officers and Advisors. [REDACTED]

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benefit of a full background briefing. [ ] requested that any background papers which would aid new members be made available, and [ ] said that such papers will be provided prior to the next meeting.

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The President announced that there will be an important meeting of the Board, probably in May, to discuss various benefit proposals for the Association Benefit Plan which will be due in to the Civil Service Commission by the end of June.

[ ] also said that the UBLIC study should be completed soon regarding its solvency and solidarity. There is some concern at the growing number of retirees who are covered by the UBLIC life insurance plan and the fact that settlements are made from our Reserve Fund. He said the possibility exists that the qualifying period for UBLIC coverage may be extended beyond the ten years prior to retirement which is now required, or that some other modification of the program may become necessary.

There being no further business, the meeting was adjourned at 9:55 a.m.

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Attachment:  
List of 1975-76 Directors  
by Directorate  
List of Officers

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
23 April 1975

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 23 April 1975 at 11:15 a.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman




Abse

Enno H. Knoche, Director



The Chairman called the meeting to order. Purpose of the meeting was to discuss and vote on proposed benefit and rate changes in the Association Benefit Plan for 1976 as shown in the attachments. The President reported that the deadline for submission to the Civil Service Commission is 30 April 1975. The proposed changes represent only a small increase in premium to the employee and are designed to make the Association Benefit Plan more competitive with Blue Cross and Aetna.

 further indicated that the Board must await the underwriter's review of ABP's 1975 claims experience before making a final determination regarding rates. Based on their review of this claims experience, the underwriter may recommend an increase in premium. This possible increase in premium would be in addition to the rate increases for new benefits shown in the attachments.

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After a short discussion, [ ] moved that benefits I.a. and I.e., II and III on the attachment and accompanying rate changes be adopted. [ ] seconded the motion, which was unanimously approved. Items IV and V were not approved for adoption. A decision whether to increase the Major Medical deductible will be postponed until 1977, when the Board has had an opportunity to observe what the two Government-Wide plans do.

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The next meeting of the Board will be scheduled later this spring after a meeting with the underwriter.

The meeting was adjourned at 11:30 a.m.

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PROPOSED BENEFIT CHANGE	BIWEEKLY COST TO ADD BENEFIT	
	Self Only	Self and Family
I. Improvement of Maternity Benefits by:		
a. Increase Doctors' charges for normal delivery from \$250 to R&C*	.01	.14
b. Increase Doctors' charges for normal delivery from \$250 to \$450	.01	.13
c. Increase Doctors' charges for normal delivery from \$250 to \$400	.01	.10
d. Provide for 50% of the normal delivery allowance additionally for each additional birth in a multiple birth	.00	.02
e. Increase the maternity anesthesia allowance from \$60 to in full	.00	.00
II. Payment for the charges of a Christian Science practitioner if the practitioner's services are elected instead of the services of a doctor.	.00	.00
III. Payment of major medical benefits for up to two special bras per mastectomy per calendar year.	.00	.00
IV. Payment of major medical benefits for the manual manipulation of the spine by a licensed Chiropractor to correct a subluxation that can be demonstrated by X-ray. No benefits are payable for the X-ray or for any other diagnostic or therapeutic services furnished by a Chiropractor.	.02	.05
V. Increase the Major Medical deductible from \$100 to		
a. \$150	(.08)	(.24)
b. \$200	(.15)	(.44)
* Regular & Customary		

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COMPARISON OF BIWEEKLY PREMIUMS

TYPE OF ENROLLMENT		1975 P R E M I U M S		
		A B P	BLUE CROSS	AETNA
Self Only	EMPLOYEE PAYS	\$ 2.93	\$ 5.40	\$ 3.88
	Agency Pays	7.64	7.64	7.64
	Total Premium	10.57	13.04	11.52
Self & Family	EMPLOYEE PAYS	\$11.25	\$12.88	\$ 9.77
	Agency Pays	18.93	18.93	18.93
	Total Premium	30.18	31.81	28.70

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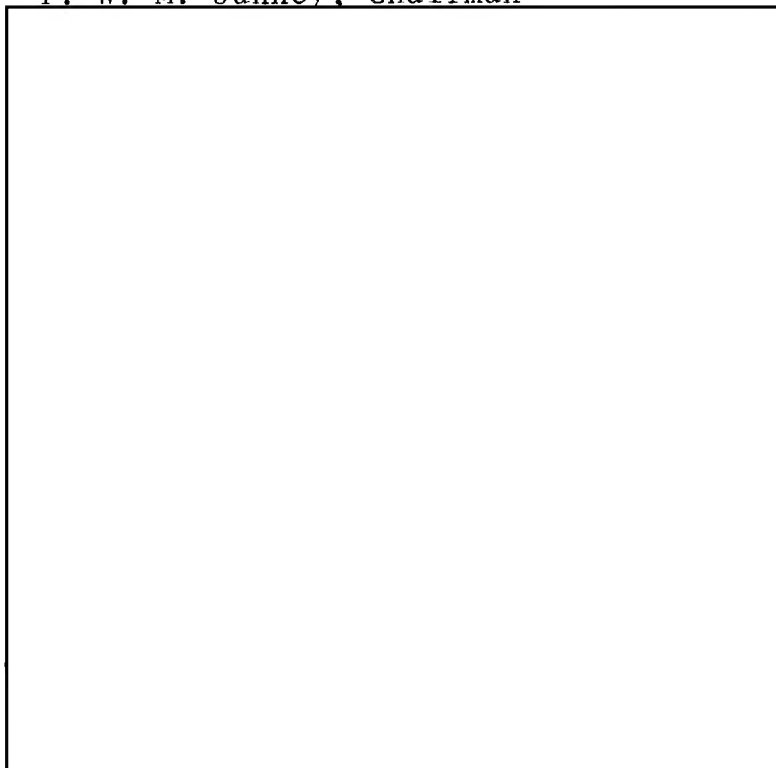
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
29 May 1975

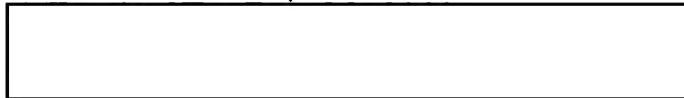
A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 29 May 1975 at 3:30 p.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Enno H. Knoche, Director



As the first item of business, the President said he wanted to review a particular case with the Board. The case involved [redacted] a former employee who retired in 1973. [redacted] lost the sight of his left eye when struck by a golf ball in September 1957 while an employee. In February 1958, FEGLI paid [redacted] \$3,000 for the loss of the sight of one eye.

In 1969 [redacted] advised the Agency his injury should also have been paid for under his UBLIC coverage, a fact he had just learned and which he contended he was misinformed about in 1957.

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A claim was submitted on [ ] behalf, and in June 1969 he was paid \$7500 by UBLIC in settlement of the claim.

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In 1972 [ ] again contacted the Agency regarding the settlement of his claim, this time requesting interest be paid on the \$7500 owed him for the 11-year 8-month period. At that time he was advised there were no provisions for paying interest but was invited to discuss the matter with Benefits and Services Division on his return to Headquarters. [ ] retired in 1973 without further comment about his claim.

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In February 1975 [ ] now in the insurance business, requested GEHA reconsider payment of interest to him before he proceeded with plans to contact the D. C. Supervisor of Insurance. GEHA referred this matter to the underwriter and then OGC. UBLIC advised they had paid the claim promptly when advised of the loss and therefore no interest was payable. OGC expressed the opinion that any proposed settlement would have to be authorized by the GEHA Board of Directors.

An extensive discussion of the case took place during which it was pointed out that the accidental death and dismemberment provision of the UBLIC policy did not become effective until approximately four months before [ ] accident. Therefore, the members of the Board concluded that it was reasonable to assume [ ] may have been misinformed about such coverage as he claimed.

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The President pointed out that GEHA had use of the money that was due [ ] for nearly 12 years and had earned income on the money. During this period GEHA had money deposited in numerous West Coast savings and loan organizations. While we cannot establish the exact interest earned on \$7500, it is our belief that it would be comparable to interest paid on deposits by the Northwest Federal Credit Union during the same period. At the conclusion of the Board's discussion, the President recommended that [ ] be paid interest at a rate equal to what the Credit Union would have paid on \$7500 over the same 11-year 8-month period, or \$5,250.00. [ ] moved that [ ] be paid interest on the \$7500, based on the above formula. [ ] seconded the motion which was unanimously approved.

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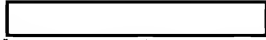
[ ] Chairman of the Investment Committee, then asked [ ] to give a report on the status of GEHA investments. [ ] had previously supplied the Board with copies of his memorandum dated 21 April 1975, subject: GEHA/Adequacy of Future Claims Coverage re Policy GLU-414. In reviewing the portfolio, [ ] said GEHA must take into consideration certain additional expenses other than claims which must come out of the portfolio, such as salaries which will increase about six percent a year. He predicted problems will occur in the next three or four years unless the portfolio is studied and some changes are made. He suggested making recomputations based on current data, determining how the maturity

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schedule would be affected and making a new study of the claims rate. The Board agreed that a serious review of investments is long overdue. The President suggested a meeting of the Investment Committee be held soon, followed by a meeting with the broker. The Committee is then to recommend appropriate changes to the Board. The President said he will attempt to obtain recent 1975 data for use by the Committee.

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 also reported that UBLIC is still under massive study and it is expected recommendations will be brought to the Board this fall.

There being no further business, the meeting was adjourned at 4:02 p.m.

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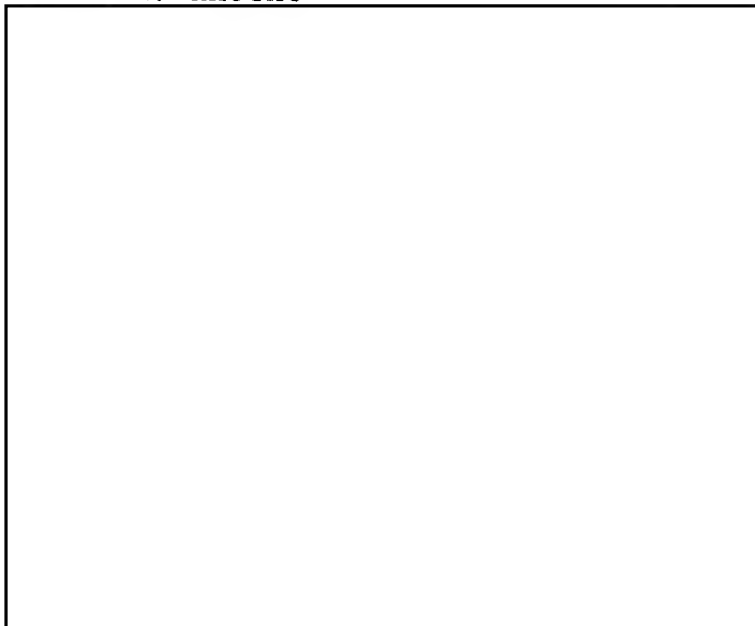
GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
21 July 1975

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 21 July 1975 at 2:30 p.m. in Room 5 E 62, Headquarters. Those present were:

Directors

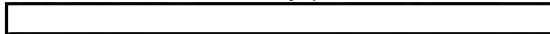


Enno H. Knoche



Absent were:

F. W. M. Janney, Chairman



The President called the meeting to order and announced that the first order of business was the appointment of a new Director to replace [redacted]. The Deputy Director for Administration recommended [redacted] to replace [redacted] as one of the DDA representatives on the Board. [redacted] moved that the nomination of [redacted] be approved; [redacted] seconded the motion, which was unanimously approved.

The President then reported on his recent meeting with the underwriter wherein representatives of GEHA and Mutual discussed proposed 1976 rate changes in the Association Benefit Plan, which must be submitted to the Civil Service Commission on or before 31 July 1975. The underwriter advised GEHA that soaring hospital and surgical expenses, combined with increased claims experience, would require a 21.5 percent increase in premiums in 1976. In dollars, this means the Plan will need approximately \$11,774,000 in 1976 as compared with \$9,714,000 in 1975. The underwriter also recommended that GEHA request a release from the Contingency Reserve in the amount of \$490,500 to ease the cost burden on employees. Past experience shows the underwriter's projections have been quite accurate.

STAT Sheets were then passed out to Board members showing a cost comparison of 1975 versus 1976 Association Benefit Plan costs with the costs of three other plans. The President also gave a blackboard briefing comparing Plan trends for the years 1974, 1975 and 1976 in regard to premiums, claims experience and Contingency Reserves. In response to a Board member's request, [ ] explained the Contingency Reserve. Monies in the reserve are invested by the Civil Service Commission. GEHA may draw from the fund money in excess of the minimum balance when it is necessary to offset the cost to the employee of greatly increased premiums.

After a short discussion on the proposed 1976 rates, Mr. Knoche moved that we notify the Civil Service Commission of our need for a 21.5% increase in premium as recommended by the underwriter and that we request a contingency release of \$490,500. The motion was seconded by [ ] and it passed unanimously.

STAT [ ] Chairman of the Investment Committee, then reported his Committee's findings. He said the Committee had reviewed the portfolio and various financial papers and now recommends that some stocks be sold. Although the portfolio has done quite well, considering the market, he said the Board should upgrade GEHA's holdings in order to improve its return on investments. In order to accomplish this objective, he asked the Board to consider giving the Committee authority to invest 20 percent of the UBLIC and Contract Life Trust Liability balances in common stocks rather than the current 10 percent.

STAT A lengthy discussion followed [ ] report. During the course of this discussion, the President indicated that he viewed the relationship of the members of the Board to the Reserve and to other aspects of the GEHA Program as a fiduciary one, calling for the highest fulfillment of trust and care.

Consequently, he expressed his deep concern about liability which could flow to the Directors in the event that its management of the portfolio resulted in severe losses. Moreover, he reminded the members of the Board that the Agency is currently being questioned about other financial programs, such as VIP, in connection with the allegation that Agency officials are using economic intelligence to profit employee accounts. One solution to both aspects of this concern could be investing GEHA's money in Government securities. Another might be to obtain the services of an outside broker who would have the full responsibility for managing GEHA's portfolio. Thus, should some losses be suffered, the Board of Directors could at least indicate that it had sought professional management of its portfolio rather than rely on its own ability to manage that portfolio. There was a lengthy discussion following the President's remarks. [ ] said that the Investment Committee had considered the possibility of obtaining an outside broker. With respect to investing in Government securities, members of the Board expressed some concern that while this action would avoid outside assertions of impropriety, it would result in a lesser return on investments.

STAT

STAT

In concluding the discussion, two motions were made. [ ] moved that the Investment Committee's authority to purchase common stocks be increased from 10 percent to 20 percent of the combined balances of the UBLIC and Contract Life Trust Liabilities.

[ ] seconded the motion, which was unanimously approved.

[ ] further moved that the Investment Committee investigate the alternative of external management of GEHA's portfolio and report back to the Board. [ ] seconded the motion, which was unanimously approved.

STAT

There being no further business, the meeting was adjourned at 3:20 p.m.

[ ]

Secretary

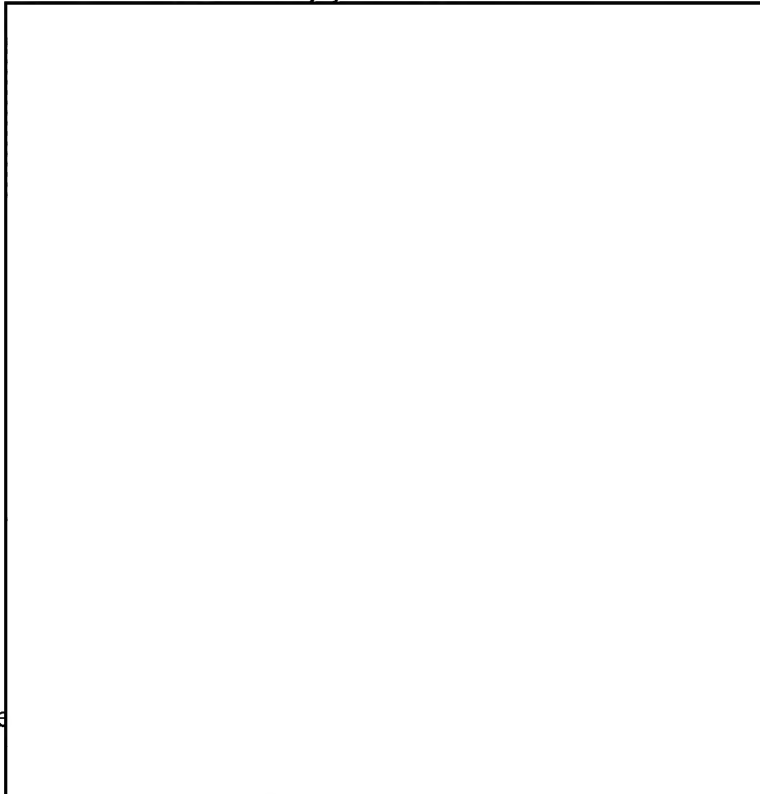
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
25 September 1975

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 25 September 1975 at 9:30 a.m. in Room 5 E 62, Headquarters. Those present were:

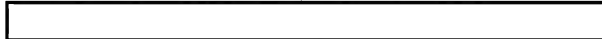
Directors

F. W. M. Janney, Chairman



Absent

Enno H. Knoche, Director



The Chairman called the meeting to order and announced that the first order of business was the appointment of a new Director to replace the DCI representative on the Board, [redacted] retired. [redacted] moved that the Board approve the nomination of Mr. John D. Iams [redacted] seconded the motion, which was unanimously approved.

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STAT [ ] departure also created the need for a new Chairman of the Investment Committee, a position he held, and the selection of someone to replace him on the Committee.

STAT [ ] a current member of the Investment Committee, be appointed its new Chairman; [ ] seconded the motion, which was unanimously approved. After a short discussion, it was decided that appointment of a third member to the Committee would be made at a future date.

STAT Next on the agenda, and primary purpose of the meeting, was a report by members of the Investment Committee following their investigation of the alternative of external management of GEHA's portfolio. [ ] briefly outlined the points made in a report prepared for the Board by [ ] which indicates that GEHA, with its current portfolio, rate structure and claims experience, will face financial trouble beginning in 1980-85. [ ] further stated that after some sessions which included [ ] the Investment Committee lined up three independent companies as possibilities for the external management of GEHA's portfolio: T. Rowe Price, Union Trust, and Auchincloss. The Committee suggests that each company be approached, showing them GEHA's portfolio and asking what each can do for GEHA. After appropriate review of the portfolio, each company could individually give a presentation to the Board, or the Investment Committee could bring its own recommendations to the Board after talking to the companies. STAT

STAT [ ] said the cost factor involved for this service should be a consideration in reaching a decision. This service could cost in the neighborhood of \$15,000 annually. STAT In summing up, [ ] stated it was the Investment Committee's recommendation that this Agency should no longer manage the GEHA portfolio, that the portfolio should be turned over to external management, and that the Committee would like to proceed on this course.

STAT At this point [ ] asked if he could comment. He then initiated a discussion of his deep concern about the overall solvency of the UBLIC Plan. Over the last several years the Plan has suffered a reversal in experience which has eliminated in recent years a return of premium. Pointing out that the return of premium created the reserve which has been used to improve the UBLIC Plan, [ ] made the point that, regardless of how well the Investment Committee did in improving the investment income, in the end it could not be sufficient to take up the slack created by the absence of the return of premium. He noted with concern the steadily increasing amount of liability represented by insurance held by retirees. After a long discussion of the relationship STAT

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between the retiree program to the overall UBLIC program and the need to take a hard look at the UBLIC program as presently constituted, he suggested that no action be taken on investment until he had a chance to make a presentation to the Board on a restructuring of the UBLIC Plan.

The Board agreed that it would not be possible to improve investment income sufficiently to offset the absence of a return of premium and, further, as indicated by [REDACTED] that if a restructuring of the UBLIC Plan could be achieved in such a way as to ensure a return of premium, there would be less need to revise the investment program, especially in the present climate. GEHA would be better served by concentrating on means to achieve a return of premium and curtailing investment activity to the minimum level possible. For example, if investment income could be generated in future years at a sufficient level to ensure the solvency of the UBLIC Plan, the Board could consider placing its reserve in Government securities, certificates of deposit, or even in the Credit Union. Such a move would give GEHA the advantage of minimum Board activity investment, a reasonable level of investment income, a minimum cost for investment service, and little criticism.

STAT

The Board accepted [REDACTED] suggestion that no further action be taken until he presents to the Board at a future meeting the various alternatives to restructuring the UBLIC Plan.

STAT

There being no further business, the meeting was adjourned at 10:00 a.m.

STAT

[REDACTED]

Secretary

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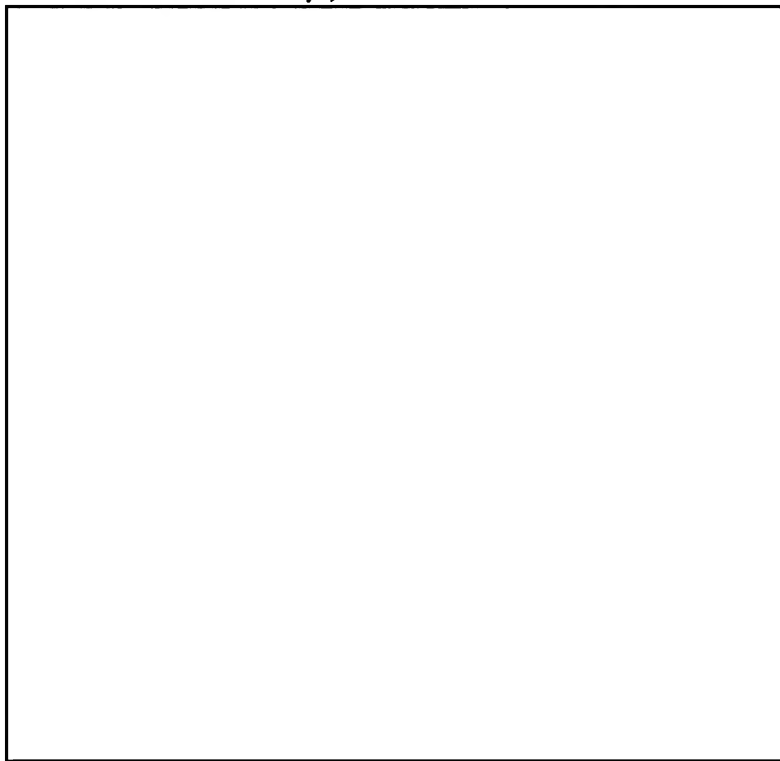
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
20 November 1975

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 November 1975 at 3:30 p.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Abs

John D. Iams, Director  
Enno H. Knoche, Director



After the Chairman called the meeting to order, [redacted] advised that discussions between the underwriter and GEHA had been completed regarding proposed changes in the UBLIC Plan. He said this Board meeting was convened to present proposed

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alternatives to members and to obtain their views and recommendations.

STAT In his presentation [ ] referred to background papers which had been sent to Board members in advance of the meeting. He explained each of the alternatives listed and pointed out that all were designed to improve the solvency of UBLIC and to ensure a return of premium in the future. He said the only change recommended by the underwriter is that the monthly premium per \$1,000 of coverage be increased for the 50-59 age group, from 52 cents to 65 cents. Such a change would result in an additional \$100,000 in premiums collected per contract year, which the underwriter feels would correct the unfavorable claims experience. Another alternative would be to reduce the various amounts of life insurance coverage by approximately 20 percent with no adjustment in premium. Mr. [ ] felt this would unfairly penalize the younger group since our heaviest claims experience is in the older group. After detailing several additional alternatives, [ ] said he would recommend increasing the premium in the 50-59 age group for both employees and retirees, increasing the eligibility period from 10 to 15 or 20 years for new enrollees only, and accelerating reduction levels in free retiree coverage from \$5,000 to \$2,500 down from age 70 to age 65 or 60.

STAT During his presentation [ ] expressed deep concern at UBLIC's increasing retiree insurance liability, particularly in the under age 60 group with full coverage. Since this group has accounted for a large portion of UBLIC's claims experience in recent years, [ ] stressed the need for this age group to bear a greater share of the financial burden. He recommended this and other changes in the Plan be made soon in order to prevent retiree insurance levels from growing to the point where liabilities could not be met. He said UBLIC currently has \$27 million worth of liability and a \$3 million reserve. Changes are necessary to ensure a return of premium and to ensure the future of the UBLIC program. In his closing comments, [ ] suggested that any changes approved by the Board be announced near the time when the next retiree cost of living increase is announced.

STAT [ ] then asked [ ] to report on the legal implications of making such changes in UBLIC. Mr. [ ] reported that the attorneys had researched the matter and their consensus was that changes can be made in UBLIC since it is a yearly renewal policy. He said changes are generally in the form of improvements; however, the lawyers are satisfied that the Board does have authority to increase premiums and

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reduce benefits. He recommended the Board vote on desired changes and then refer the specific changes for legal review and advice before implementation. [ ] also suggested any changes be made effective on the policy's anniversary date, 1 August. The Board agreed this would be the proper course since it would not violate the current year's policy contract.

STAT

STAT

After [ ] report, Board members engaged in a lengthy discussion of the various alternatives and the impact each might have on policyholders and potential enrollees. Some members felt that policyholders would not understand such changes, particularly if certain of the changes affected persons already retired. In discussing an extension of the eligibility period from the present 10 years to 15 or 20 years, members agreed this should apply only to persons who enroll on or after the effective date. Other alternatives were suggested, such as eliminating the free dependents' coverage. Since the cost to GEHA of providing this coverage is considered minimal, members agreed it should be maintained. Members then discussed the proposal to reduce the free retiree insurance coverage from \$5,000 to \$2,500 at age 65 or 60. They said this action would be justified since \$2,500 represents approximately what each policyholder puts into the program. The current \$5,000 represents considerably more. In discussing termination of free retiree coverage altogether, members felt this would take away a very unique attraction of the UBLIC Plan.

At the conclusion of the discussion, the following proposals were recommended by the Board:

a) Increase the monthly premium per \$1,000 of coverage for the 50-59 age group from 52 cents to 65 cents, an across the board increase for employees and retirees.

b) Increase the required number of years of participation for retiree coverage from 10 to 15 years; this would affect only those who enroll in UBLIC on or after the effective date of the change.

c) Reduce the free retiree insurance available at age 60-69 from \$5,000 to \$2,500; this would affect only those who have not retired as of the effective date of the change.

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d) Terminate free insurance coverage at age 70; this would not affect present retirees, but only persons who have not retired as of the effective date of this change.

STAT

[redacted] moved that the above changes be approved by the Board and implemented on the policy anniversary date of 1 August 1976, subject to a positive review of these changes by the legal staff. [redacted] seconded the motion, which was unanimously passed. [redacted] then recommended an early announcement be drafted explaining these changes and also explaining how premiums and benefits can fluctuate.

STAT

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STAT

In closing, [redacted] mentioned that a \$150,000 Certificate of Deposit comes due on 28 November at 5-5/8 percent. Although the changes contemplated in UBLIC will reduce the problems GEHA faces with investment income, [redacted] was anxious to have the remaining vacancy on the Investment Committee filled so that they would be available to handle investment matters such as this. [redacted] asked Mr. [redacted] if he would be willing to serve on the Investment Committee. [redacted] agreed and the Board approved his selection as a member of the GEHA Investment Committee.

STAT

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There being no further business, the meeting was adjourned at 4:15 p.m.

STAT

[redacted]

Secretary

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
18 February 1976

A regular meeting of Government Employees Health Association, Inc., Board of Directors, was held on 18 February 1976 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

Abs

John D. Iams, Director  
Enno H. Knoche, Director

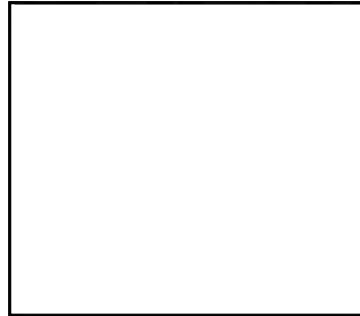
STAT  called the meeting to order. He said the agenda would include the annual appointment of Officers and some questions from the Investment Committee for discussion and consideration by Board members.

The proposed slate of Officers for 1976 was presented to Board members:

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President  
Vice President  
Treasurer  
Secretary  
Assistant Secretary  
Assistant Secretary  
Cashier  
Cashier  
Cashier



STAT

STAT [ ] moved that the above slate of Officers be accepted by the Board to serve in 1976; [ ] seconded the motion, which was unanimously approved.

STAT

STAT [ ] Chairman of the Investment Committee, then reviewed his Committee's most recent findings and recommendations regarding GEHA investments. As a first objective, he repeated his Committee's desire to get out of the business of the day-to-day management of GEHA's investment funds and to seek external management of the portfolio. He then passed out a list of GEHA's Common Stock Holdings as of 18 February 1976 (copy attached). He said the stocks had not performed too badly since August 1975, but pointed out examples of declines that possibly could have been avoided through closer monitoring: Diversified Mortgage Investments and Government Employees Life Insurance. As shown on the list of common stocks, total value of holdings as of 18 February 1976 is \$213,959.50.

STAT [ ] then revealed that GEHA will have approximately \$570,000 available for investment purposes by the end of March or early April. He expressed his concern over the Board's ability to invest and manage these funds to GEHA's best advantage. While there is still time, he said, the Investment Committee would like to approach three or four firms with GEHA's portfolio in order to determine their interest in management of the funds, cost for services rendered, potential income that could be expected, and the degree of security. [ ] said that in preliminary discussions he had obtained expressions of interest from T. Rowe Price, Auchincloss, and Connecticut General.

STAT There followed a brief discussion of the type of investments GEHA should consider. [ ] recommended GEHA get out of the common stock market. [ ] suggested the Board seek guaranteed income investments, which are less of a risk, although offering a lower yield.

STAT

STAT

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The greater long-term income to be realized from recent changes in the UBLIC program, he added, should sufficiently compensate for the lower yield to be expected if GEHA funds were put into much safer guaranteed income investments. Mr.

STAT [ ] agreed, saying his Committee's goal was an 8-1/2 percent guaranteed income rather than, for example, 12-1/2 percent investments involving higher risks.

STAT At this point [ ] Legal Advisor, advised Board members they should set up certain standards for selection of an outside firm and put down a general statement of financial goals to be realized by turning the funds over to external management. The Board agreed that guidelines must be determined prior to approaching certain firms with GEHA's portfolio. STAT STAT [ ] said the Investment Committee had chosen [ ] for initial contact since they are two of the companies currently handling the Voluntary Investment Program and have good records. STAT [ ] is a large company with an outstanding record. After a discussion of standards and goals, the Board agreed that the following statment be made for the record:

In seeking a private firm for the external management of GEHA's investment funds, it is the Board of Directors' intent to approach companies well known in the country for their outstanding reputation and successful records in the investment business and, at some future date, to select from these companies the one which best satisfies GEHA's goals for maximum income, maximum protection and minimum administrative expense.

Based on the above criteria, the Board gave its concurrence for the Investment Committee to meet with at least three, possibly more, outside firms as an initial step in seeking external management of GEHA's investment funds. At the conclusion of such meetings and before any commitments are made, the Investment Committee will report back to the Board with its findings and a decision will be made at that time.

In closing the meeting, [ ] announced that the bulletin on UBLIC changes had recently been distributed to employees, shortly after a favorable OGC opinion was rendered. Other than a memorandum from the IG's office, none of the Board members had yet heard any reaction to the bulletin.

STAT

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There being no further business, the meeting was adjourned at 10:20 a.m.

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
15 April 1976

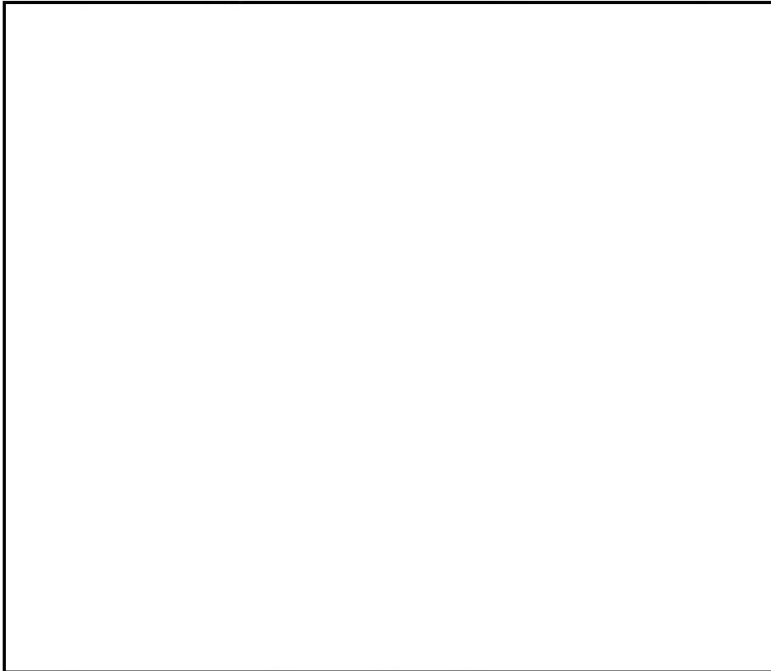
A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 15 April 1976 at 3:00 p.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



John D. Iams



Enno H. Knoche, Director



The Chairman called the meeting to order. Purpose of the meeting was to discuss and vote on proposed benefit and rate changes in the Association Benefit Plan for 1977 and to hear a report from the Investment Committee.

The President reported that the Civil Service Commission has set a deadline of 30 April 1976 for the submission of recommended benefit changes and 31 July 1976 for the submission of proposed premium changes. He further stated that the Commission will not consider requests for improved benefits which necessitate more than minimal increases in premiums. In answer to a

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STAT Following this motion, [ ] moved that GEHA instruct  
STAT [ ] to open a custodial account with the [ ]  
Trust Company and to place GEHA's securities into this account;  
Mr. Iams seconded the motion, which was unanimously approved.

STAT [ ] then moved that the Board instruct [ ] to  
STAT place approximately 70% of GEHA's funds into fixed income  
investments and no more than 30% into equities; [ ]  
seconded the motion, which was unanimously approved.

STAT The Board then requested that the Investment Committee  
invite [ ] to a GEHA Board meeting in the  
near future for the purpose of summarizing and explaining his  
recommendations, presenting an initial plan for review by the  
Board, and to carry out the formalities involved in the signing  
of a contract.

In closing the meeting, the Board voted unanimously to  
thank the Investment Committee for their good work and recom-  
mendations. There being no further business, the meeting was  
adjourned at 3:40 p.m.

STAT [ ]  
Acting Secretary /

Attachment

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## ASSOCIATION BENEFIT PLAN 1977

PROPOSED BENEFIT CHANGES	BIWEEKLY COST TO ADD BENEFIT	
	SELF ONLY	SELF & FAMILY
I. Add private room allowance if required by law.	.00	.00
II. Improvement of Maternity Benefits by:		
a. Provide for 80% of the cost of the initial routine in-hospital examination of a newborn child.	.01	.05
b. Provide for the payment of up to \$25.00 of the cost of the initial routine in-hospital examination of a newborn child.	.01	.04
III. Payment of basic benefits to correct Congenital Anomalies (includes protruding ear deformities, harelip, birthmarks, webbed fingers or toes, or other conditions that the Plan may determine to be congenital anomalies, but do not include anomalies relating to teeth or structures supporting the teeth).	.01	.03

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COMPARISON OF BIWEEKLY PREMIUMS

		1976 P R E M I U M S			
TYPE OF ENROLLMENT		ABP	BLUE CROSS	AETNA	FS BENEFIT
<u>Self Only</u>	EMPLOYEE PAYS	\$ 3.38	\$ 8.77	\$ 6.71	\$ 2.84
	Agency Pays	9.42	9.42	9.42	8.51
	Total Premium	12.80	18.19	16.13	11.35
<u>Self &amp; Family</u>	EMPLOYEE PAYS	\$13.55	20.01	15.33	13.95
	Agency Pays	23.13	23.13	23.13	23.13
	Total Premium	36.68	43.14	38.46	37.08

4 May 1976

MEMORANDUM FOR: Board of Directors, GEHA, Inc.

FROM : F. W. M. Janney  
Chairman, Board of Directors  
Government Employees Health Association

SUBJECT : Authorization of GEHA Officers to Sell,  
Assign and Transfer Securities

25X1 1. At the 15 April 1976 meeting of the GEHA Board of Directors it was resolved that a custodian account with the [redacted] be opened and that GEHA's securities be placed into this account.

2. I propose, therefore, that any one of the following GEHA Officers, to-wit,

[redacted]

STAT

and their successors in office be authorized and empowered on behalf of and in the name of this Corporation to sell, assign and endorse for transfer, certificates representing stocks, bonds, or other securities now registered or hereafter registered in the name of this Corporation.

[redacted]

F. W. M. Janney

STAT

STAT

CONCUR:

CONCUR:

[redacted]

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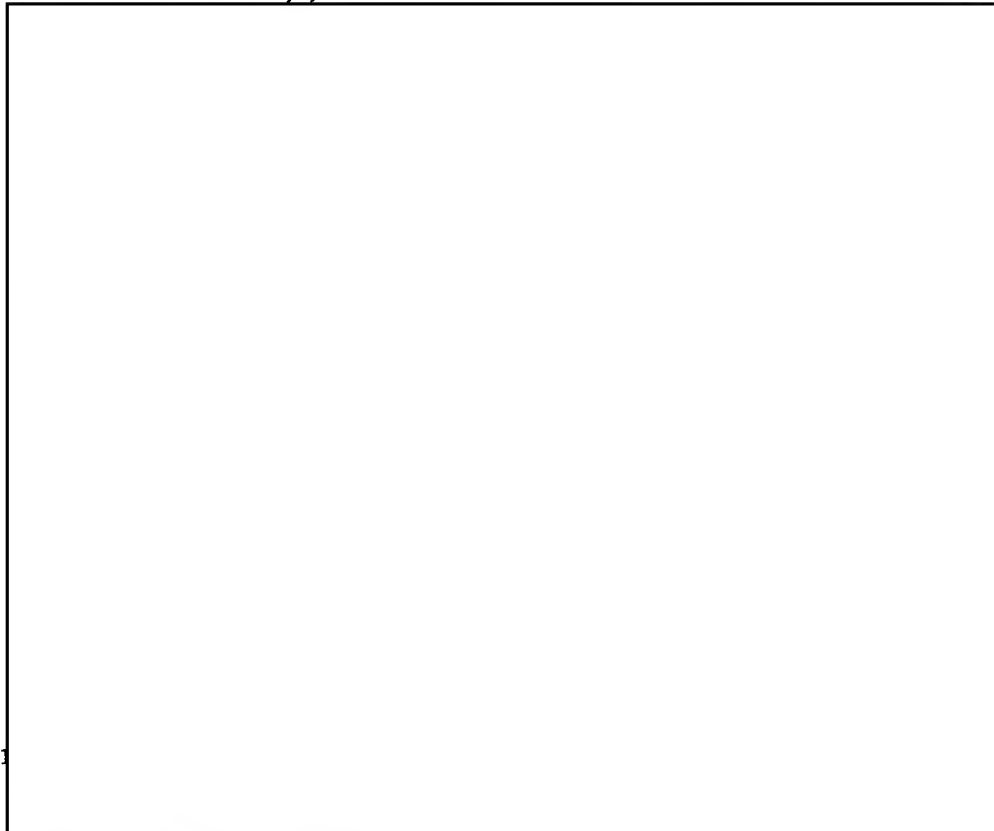
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
29 April 1976

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 29 April 1976 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Abse

John D. Iams, Director



The Chairman called the meeting to order. [redacted]  
Chairman of GEHA's Investment Committee, then introduced



portfolio. Attached hereto, and to be considered a part of these minutes, is a verbatim transcript of the subsequent presentation and comments of the GEHA Board members.

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At the conclusion of the meeting, [ ] gave various forms to the President which, when completed, will formalize the arrangement between GEHA and [ ] said that GEHA would expedite return of the forms to [ ] There being no further business, the meeting was adjourned at 10:35 a.m.

STAT

STAT

STAT

[ ]

Secretary

STAT

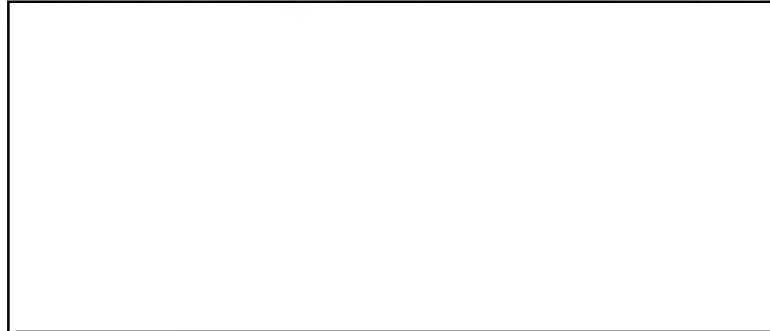
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. . . A Special Meeting of the Board of Directors of the GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC., was convened on Thursday, 29 April 1976, at 10:00 a.m. in Room 5E62, Headquarters, with the following present:

STAT

Mr. F. W. M. Janney, Chairman



STAT

[REDACTED] The Board said they were interested in what John intended to do with our portfolio and he'll give us at least a first pitch. It's a chance for you all to meet him and I guess that's basically it.

STAT

[REDACTED] I really didn't know how many people there would be this morning, and when I found out Charles was good enough to make some extra Xerox copies, so we should be in good shape. I presume there is no reason, really, to go into the background of the firm at this point.

MR. JANNEY: I don't think so, unless somebody requests it.

STAT

[REDACTED] I'll just pass these sheets out now. What I just passed out is a copy of the portfolio which I've retyped from the information which was supplied to me by Charlie, and I have some recent prices on there as of yesterday, the market value.

STAT

The first page is fixed income holdings on the account, and the second page represents what you have in common stocks, plus [REDACTED] Assets and another designation of \$175,000 which is not available for investment as far as I am aware.

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STAT ☐ Can I raise one question on this sheet?

That \$175,000 cash is not included in the 494,910, correct?

STAT ☐ That's correct.

STAT ☐ So this additionally covers our contingencies and short-term needs, and that's sufficient or possibly too much?

STAT ☐ It's probably too much. What we would want to do is study our needs on a quarterly basis and then release some of it, but for the moment we would like to consider this as not available. I would guess that maybe upwards of 50,000 or 75,000 of this, as we move through the year, is going to be releasable, but we would rather not for the moment, okay?

STAT ☐ Yes.

☐ What I would like to do is spend a few minutes on the objectives as I understand them. This is a portfolio that is to be managed with an overall objective of both stability and consistency in returns with a high portion of total returns coming through income. And as such, it would be an account that would normally have at least 70 percent of the overall portfolio in high quality fixed income instruments.

Within the fixed income area we presumably would have flexibility of allocating maturities; i.e., we could be 100 percent in long-term bonds if we felt the market warranted it, or we could be considerably in intermediates or shorter term maturities.

In the common stock component, its maximum level would be 30 percent. It would consist of convertibles, particularly in an environment such as we have today where we have very high interest loan rates and a number of convertibles selling at or near the investment value. This would provide considerable stability to the account above average income, plus a call on the equity market in the event that equities continue to do well.

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So it would seem to me, in light of the financial markets today, that one might have an above average position in convertible bonds within the equity component of the account. The equities in this context, I would suggest, should be low PE stocks. They should have above average dividend yields and we should certainly tend to emphasize quality, probably with the major proportion of the equity commitments being in A-rated securities or better. I would suggest they all have moderate growth rates attached to them, and in light of where the bond market is today I would suggest they should be within the 13 percent to 15 percent per annum range over the next two to three years.

Our expectation in the fixed income area is with long-term high quality credit instruments at eight percent. Assuming no change in interest rates today in an actively managed bond portfolio, you should be able to add a point and a half to that coupon. So we look, in today's market, for ten percent expected total return from high quality fixed income instruments.

There would normally be a three percentage point premium over that return through commitments in common stocks to justify you for the incremental risks. So those are the return parameters I would be looking at in managing the account.

In turning to the specific holdings that you have and what we would do with them near-term -- You have an undue concentration in the account of finance bonds and bonds in natural gas pipeline companies. Those areas, I would suggest, should be shifted into higher quality industrials, telephones or governments. I would particularly emphasize a switch from the Commercial Credit of 8/85; the International Harvester Credits of 4-3/4, 8/81; the Ensearch Corporation of 4-5/8, 4/82; and the La Clede Gas of 4-1/2, 2/83, into other issues.

Those are very low coupon bonds. You're sacrificing current income to a considerable extent by holding them. They are not well-traded issues, and in the event of market rallies they generally lag the market.

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The bulk of the portfolio is in intermediate-term bonds and I think the intermediate-term sector of the market is probably worth continuing to stress. However, I would begin to put some money into longer term maturities and I would, on the first go-around, use the proceeds from those sales to invest into longer term telephones, governments and industrials.

STAT  In making this conversion, are we bound to take a loss? and if so, to what dimension would you predict? or am I ahead of you?

STAT  I would say the loss would be minimal. We're now talking about significant maturities here. We're talking about 81, 82, 83 -- I don't think the overall loss would be significant relative to the improvement in income and potential of appreciation that could result from it.

STAT  Good. I think it's worthwhile raising the question at this point as to what the tax consequences are on the portfolio.

STAT  We're tax-free. We have no tax problem; we're non-profit and have our exemptions from the federal government.

STAT  Well, in that light, if you hold lower coupon discount bonds you, of course, in a sense, have an opportunity cost because you have -- Most investors in the market place big discount bonds because they can get capital gains. Therefore, they are willing to pay a premium for the capital gains advantage and that is not accruing to you. That is a major reason why you should shift into a current coupon bond where you will be increasing income, in some cases, by a factor of 50 percent.

Now, in the common stock area -- You have roughly ten percent of the overall account in common stocks as of this point in time. You have a relatively concentrated list in roughly nine names, and I would say that the first steps that

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should be taken in the common stock area would be to improve the diversification of the portfolio.

In this regard you ought to have somewhere between 15 and 20 names. I realize it's only 30 percent of the portfolio, but good common stock management really requires some diversification to eliminate risk that is not related to the market.

I would be inclined to make changes in something like Eastman Kodak because it's not producing much of a yield for you and it sells at a significant premium in terms of its price-earnings ratio to the market in general. And stock like that, along with perhaps Abbott Laboratories and Warner Lambert, I would be inclined to put into something more oriented toward yield and total return.

STAT  With the cash that you have in holdings you have in common stocks and I would also add to convertible holdings. I think it would be appropriate to have, perhaps, 10 to 15 percent of the total portfolio in high quality convertibles with the balance in common stocks, per se.

That, in a nutshell, is a synopsis of the steps I feel it would be appropriate to take near-term, and I would stress that the portfolio would be managed on an active basis. We would certainly be conscious of where long-term interest rates were headed in our judgment and try to make appropriate changes in the fixed income sector of the portfolio and in both the equities and fixed income area. We would try to our best ability to build up cash reserves when we felt both markets were over value.

STAT  Are there any questions or anything else you all want to -- ?

STAT  Are you going to be able to wave a magic wand and be able to do something with  or are you just going to keep them in lotteries like we have been keeping them for a while? - (laughter)

STAT

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STAT

STAT

Yes.

This is going to be a very slow recovery candidate. In terms of overall market value -- you have \$6,100 invested in it -- I see no reason to hold it.

STAT

What did we pay, 26,000 for it?

Yes.

You're certainly not alone in having some real estate investment trusts in the portfolio. It was a devastated industry in the last cycle and I think it will probably take two or three years for the industry to really get back on its feet. I think it's premature to really make commitments in that area today, and as I say, if you don't want to add a position, it's hardly worth holding.

STAT

MR. JANNEY: It certainly was selling - (laughter).

That's too bad.

Government Employees Life is an excellent holding. It has an excellent growth record to it and we're very constructive on the life insurance group at this point in the market.

STAT

John, would you go over the matter of how -- sort of the reporting cycle as far as where the holdings are going and some of what you propose, some of what was discussed tentatively with the Investment Committee?

STAT

All right. Our normal reporting procedure is that at the end of every quarter we would prepare a list of asset holdings for you with income derived on each security, what the cost was, market value -- it basically is a very complete accounting system.

It would show you a summary of interest and dividends at the end of each quarter, capital gains or

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losses, a complete summary of all cash in-flow or cash out-flow.

That would normally be available the second or third week following the end of the quarter.

Along with that we would make available performance data on the overall account, normally broken down between fixed and common stocks so you can tell how each segment of the portfolio is doing relative to the market or relative to certain benchmarks you feel would be appropriate. For purposes of our own control I would get printouts of your report on a weekly basis, and we also have monthly runs. So if you wanted a reporting procedure that was more frequent than quarterly, we could certainly make available monthly summaries of the account.

STAT

Do you provide comparisons of your performance with some of the standard services, like Standard and Poor and others, just as a measurement of how well you're doing against the overall -- ?

STAT

Normally what we do -- On the equity side we would use Standard and Poor's 500 as a measure of the market. In addition to that, you might want to use something like the Lipper Growth Index, which is an index of mutual funds that have as their objectives long-term growth.

STAT

This would be a proxy of your Eastman Kodaks, IBM and Polaroids, that type of stock. Those two measures give you a fairly good overall profile of what's going on in the common stock market. In the bond area we would use, perhaps, our own indices, the  indices, or we could use Solomon Brothers, both of whom are total return measures of the bond market.

STAT

Would that be in the quarterly report we get?

That's right.

Ben, if it's all right with the Board, in terms of questions -- If we're ready to move on starting our investment program, I would make the suggestion that we let it go for

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the first quarter and then either take a look at what John sends us at the end of that quarter, or sit down and take a look, and if we have any questions as a Board on directions that we feel he's going and that we want to talk to him about -- As John has told us, he is available at any time. We can grab him on the phone or he is willing to come down and sit with us.

STAT  Do you feel a constraint by the 70-30 ratio that has been set? Might there be times when you would like to go beyond that, and so the Board could authorize the Investment Committee to make that decision on the spot if they got a call from you?

STAT  I think these considerations relate basically to your underlying need for liquidity, what the liabilities are that confront this asset pool here, and until I knew more about that I would be reluctant to make a judgment. If there were no constraints in terms of liquidity, stability or volatility, I would be a little more constructive toward equities at this point in time, but only by a factor of ten percentage points one way or the other.

STAT  It would be something else we could look at after three months, Charlie.

STAT  I would say that particularly in the early stages of our relationship, it's probably better to meet more frequently so we can have a feedback. And I would say quarterly meetings would probably be more desirable.

At the end of the first quarter I could come down with the reports and go over them with you and deal with each change we have made so that we are confident that we are on the right track. And I think once we have a few meetings like that and the objectives are certainly clear and your understanding of what I mean by "high quality" is understood, and I can get feedback from you on the specific changes that were made, why then I think we would be on the right track.

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STAT

[ ] Specifically, John, what are the guidelines on the bonds? I think you mentioned things such as a fairly thick market in them.

STAT

[ ] Our criteria, really, for the fixed income segment of this portfolio would be to deal in issues that have a total size of at least \$25 million, preferably \$50 million, so they're active traders. We would be dealing in A-rated issues or better at this point in the market and I think in general we would preserve a very high quality structure for the portfolio.

As soon as you get into some of the smaller issues, for example the La Clede Gas -- There are \$8 million of those bonds outstanding and that makes it a very, very thin issue. It would not be easy to find a market for that security.

And if you're talking about an actively managed fixed income portfolio, it makes it that much more difficult to function. You normally would have to take a discount to get out of it. On the other hand, something like Fruehauf's has a \$50 million market value which means trading is much, much easier.

At this point in time, with the very heavy government financing that's coming up in May, we might take that opportunity to add some government issues to the portfolio because you can get very close to an eight percent return on governments, and ten-year governments for that matter. You'd have to go out 30 years into triple A-rated telephone issues such as Southwest Bell to pick up an eight percent return.

So for 50 basis points you can have government quality in the intermediate sector which would provide good overall stability for the portfolio. And if interest rates come down a little further, you might get a point or two appreciation in that issue.

So with a risk-reward basis, that would be the direction I would move in near-term, and I think of the fixed income segment of the account you might have 20 or

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25 percent of it in governments. Because with the massive financing that the U.S. Government is doing, the supply and demand relationship has created very favorable yields in that segment of the market.

STAT [ ] I guess I have to ask about special administrative relationships, you know, vis-a-vis the firm and GEHA. What kinds of things should we start doing? I just don't know. We have never dealt --

STAT [ ] (Interposing) Sign the contract first, will you? - (laughter)

STAT [ ] But after that, is there anything else? do you need numbers, like the identification number, the account name?

STAT [ ] Yes. I have a sheet with me that is standard that we use in terms of the tax identification number, who should be receiving reports, how many reports, how frequently, who will the custody bank be and who should our contact be there, these kinds of things.

STAT [ ] If you'll leave that with us we will get it to you tomorrow with all that data on it.

STAT [ ] Okay.  
[ ] Did you present a clear picture of what this money represents and why we have it?

STAT [ ] I think he understands. When we had our initial meeting with him and the other investment counselors, we went through the fact that this is an insurance pool, that what we were looking for was to protect this fund over the next 20 years or so and to make sure it was a viable fund. That was the reason that we aimed for somewhere between eight and ten percent, explaining, I think, in detail to you, John, that we were in pretty good shape at the present time through changes we have made in the program.

STAT [ ] I think the point Ernie is making is that we consider ourselves as a fiduciary. We are dealing in employee

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monies which allows us to be a little bit less risky. We are not talking about my money and his, we are talking about premiums that really belong to an employee body, so historically the Board members and the officers have viewed themselves as being in a fiduciary relationship to the fund and we want to be sure you understand that.

STAT

[ ] I do.

[ ] Who, Ben, will be the contact --

will you or Al? - in terms of -- I talked to Al and Bill yesterday, or a couple days ago, about getting custodial accounts set up.

I think we, at the last Board meeting, decided it would be [ ] STAT

STAT

[ ]

I mentioned that I had contacted

STAT

[ ] down there but had not mentioned that it was Agency or anything else. I called for only what would be the cost in terms of the size of the account.

STAT

[ ] We have an active account with a vice president, and since that relationship has gone on for years we would like to continue that, and we will give you the address, the name, and the officer's name and title. I would think that maybe Ernie ought to be the point of contact, and the address will be the GEHA address. But if he had a need to talk with somebody quickly -- We will give you several names in case Bill should be away and you needed to talk with somebody quickly.

STAT

[ ] In terms of this information that John needs now, we have time. Is there any reason we can't provide that while he is here today?

STAT

[ ] Do you have it with you, like the tax identification number?

STAT

[ ] No, I do not.

[ ] Can we get it?

[ ] I think it's all in Rosslyn.

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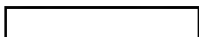


Yes, it's all in Rosslyn.

You can telephone.

Let's see the sheet you need, if you have it, and maybe we can fill in those --

STAT

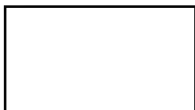


(Interposing) As much as we can get

done and out of the way.

MR. JANNEY: We don't need the whole meeting to do this. I'm still wondering about any other business you want to take up at this point before we adjourn. After we adjourn we can take care of filling that out.

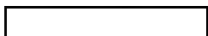
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Right.

Apparently I'm the only one who doesn't know about the fee schedule or the charges on this. Has this been laid out for the Board?

STAT

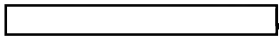


Yes, we went through this. The fee is one-eighth of a point or one-tenth of a point or one-quarter of a point, depending, as you go up. We reported that John's fee would average somewhere around .675 to .1 depending on the assets managed. Is that correct, John?

STAT



Yes.

Those are the fee schedules ranging somewhere around 2,500 for the custodial account and someplace close to 25,000 or 26,000, I guess, for the management of this account per year. The fee's payable six months in advance to John, and I don't know about  how they charge.

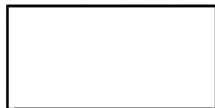
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STAT



I need a little bit of help on this one - (indicating). There's the account name, custody contact, reports, mailing cycle -- What does that mean?

STAT



Quarterly.

Any special treatment of income? You asked a question and I wonder -- .

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STAT  Some people would like the income remitted to a bank account and others would prefer that it's reinvested in the fund.

STAT  I would think the latter.

Yes.

Does the account want copies of confirmation or letters?

STAT  Again, isn't this in relation to the custodian? But that would go through there anyway.

STAT  Normally the custody bank would send you copies of any physical transaction account. In this case, if you wanted a brokerage confirmation - the brokers take on a trade - we would have to initiate that.

STAT  I don't think we want that.

Does the auditor need that, Dick?

I wouldn't think so.

They're giving us a financial statement on transactions and everything else.

STAT  Now, 13 asks, "Will we direct brokerage to pay for it?"

STAT  No, that's irrelevant assuming you don't have any performance monitoring services or anything else.

STAT  And then we need a current list of assets, an executed agreement which you will leave, a letter authorizing our directed brokerage -- well, that's not applicable, and we don't have the independent analysis. Now, where do we send authorization letters? That's the custodial account.

STAT  Yes.

You want us to get that to the custodian.

Yes, if you can get that to them.

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STAT [ ] Okay, and this is what the bank will complete - (indicating).

STAT [ ] Ben, what is the authorization from our side? I mean, how does John --

STAT [ ] (Interposing) He has a little piece of paper.

STAT

STAT [ ] I mean, I'm curious as a member of the Board. Who is authorized to sign things?

STAT [ ] The president always is and the Board has already authorized me to execute the contractual relationship along the lines that you have approved. When I get the contract I will ask Dick to look at it and I don't want to come back and say, "May I sign?"

You have authorized me to formalize a relationship which you approved, and we will go ahead with the custodian account. I'm authorized to sign that and do that. We are not creating new relationships; you have already done that.

If he were to send me something which I perceive to be different, then I come to the Board. But if this is part of an existing contractual relationship once we sign it, we will do it as your officers.

STAT [ ] In addition to the contract there are two additional forms - (indicating). One would be a letter to the bank to authorize them to take our instructions, and the second piece is a contract between the two of us.

STAT [ ] Okay.  
[ ] I will leave both of these with you.  
If there are any changes you want to make, feel free.

STAT [ ] We'll get this back very quickly.  
I take it he's really authorized to start doing whatever preliminary work he has to. But maybe you can't spend a penny until you get this document.

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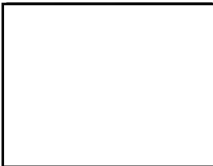


That's part of what I was getting at.

The decision is made, you're the man,  
and the rest, I think, is a pro forma formality.

MR. JANNEY: He wouldn't want to start without a contract.  
He just needs the signature.

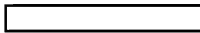
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Ben will get the signature for you right  
away.

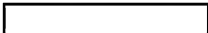
I wouldn't mind if it was a plus, but if  
he should lose a dollar, he's on his own! - (laughter)

STAT



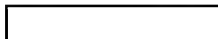
I'm working with one client in that  
capacity right now. It's a state retirement fund and they have  
their account forms, but they wanted to know if we could start  
working without the contract. I said yes, tentatively, and it's been  
three weeks now and we still haven't got our contracts back! So  
I'm making changes very gingerly.

STAT



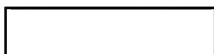
You won't have that problem with us,  
will he, Dick? - (laughter)

STAT



No.

MR. JANNEY: Anything further? (no response)



Let's adjourn.

. . . Meeting adjourned at 10:35 a.m. . . .

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
25 May 1976

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 25 May 1976 at 10:00 a.m. in Room 4 E 64, Headquarters. Those present were:

Directors

F. W. M. Jannev, Chairman

John D. Iams

Absent

The Chairman called the meeting to order. His purpose in convening this special meeting was to request Board approval of the contract between GEHA and [ ] formalizing [ ] management of the GEHA portfolio. [ ] said that GEHA's Legal Advisor, [ ], had completed his review of the contract and, after deleting the paragraph on indemnification and clarifying some other points, the contract was now ready for Board approval and presentation to [ ]. When the contract is received by [ ] will then have it reviewed by [ ] general counsel and GEHA will be notified if there should be any problems.

STAT  
STAT  
Following a short discussion, [ ] moved that the Board approve the attached contract agreement, including Schedules A and B, which formalizes [ ] management of the GEHA portfolio; [ ] seconded the motion, which was unanimously approved.

There being no further business, the meeting was adjourned at 10:10 a.m.

STAT  
[ ]  
Secretary

Attachments

STAT

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SCHEDULE B TO ☐ GEHA AGREEMENT OF MAY 1976

GEHA Investment Objectives and Instructions

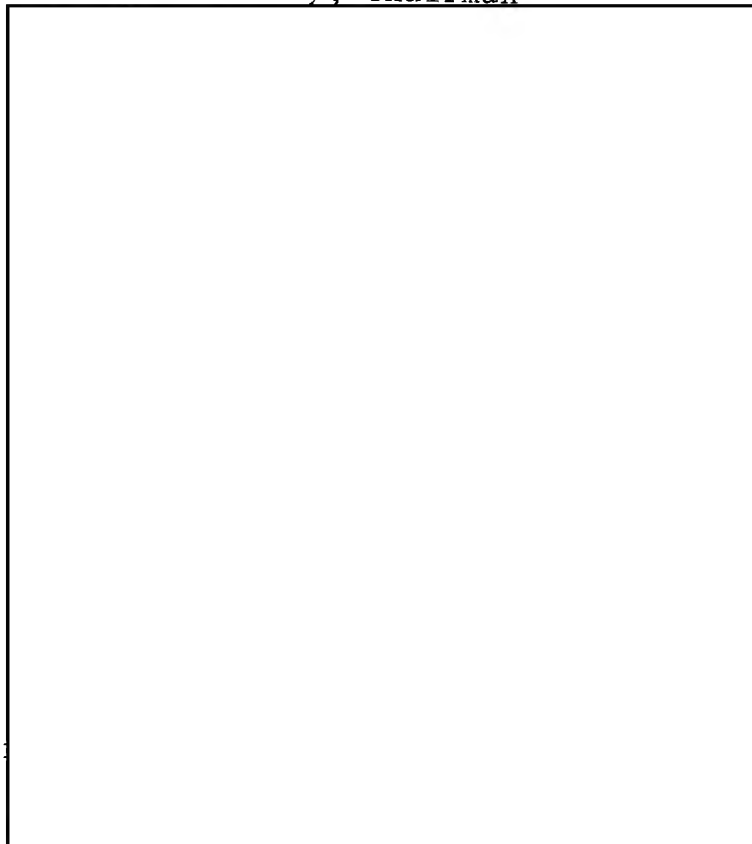
1. Acquisition of high-quality fixed income instruments and equity shares in a portfolio providing above-average security with the highest possible return.
2. Approximately 70 percent of funds to be in fixed income investments and no more than 30 percent into equities.
3. Holdings to be drawn from issues providing above-average security of principal and reasonable marketability and diversity.
4. Return of 10 percent.

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.  
Meeting of the Board of Directors  
20 July 1976

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 July 1976 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Abse:

In opening the meeting, the Chairman announced that [redacted], would soon be leaving the Agency to become a professor at the Naval Academy and would thus be relinquishing his position on the GEHA Board effective 31 July 1976. Board members expressed their gratitude to [redacted] for his service on the Board and wished him well in his new role.

First item on the agenda was a review of the 1977 rates for the Association Benefit Plan, which must be submitted to the Civil Service Commission on or before 31 July 1976. The President said he was pleased to inform the Board that no rate increases

are being recommended for the Plan in 1977. In a recent meeting with the underwriter, Mutual advised that they had overestimated their 1976 projections. Due to this unexpected overage, GEHA could now inform the Civil Service Commission there will be no requirement for a premium increase in 1977. This is significant, [ ] said, since it is anticipated that Blue Cross and Aetna will have substantial rate increases. Another favorable aspect is that GEHA will not have to ask for a release of funds from the contingency reserve held by the Civil Service Commission, funds normally requested to reduce the cost passed on to employees when premiums rise sharply. [ ] said the contingency reserve will therefore continue to grow, probably to \$2 million by 1 January 1977 and to \$2.6 million by 1 January 1978. If projections hold, the Plan's financial situation should steadily improve and a substantial reserve will be available from which to draw when premiums rise in future years. In summary, Mr. [ ] said Mutual had agreed to absorbing the cost associated with our benefit changes for 1977 and no Board action was necessary since rates would not change in 1977. The Civil Service Commission would be so informed.

Following this discussion, the President introduced the subject of our Contract Health Insurance Plan to cover contract employees who are neither U. S. citizens nor resident aliens and thus are not eligible. [ ] said that the Agency-sponsored [ ] Plan is not normally appropriate for agent personnel and is recommended only in most unusual cases, a policy established [ ] dated 6 July 1961. However, when an exception is made and a Deputy Director forwards his approval for Agency-sponsored health insurance, the matter is then referred to the GEHA Board for final acceptance. [ ] asked that the Board consider delegating to the Chairman of the GEHA Board and to the President of GEHA the authority to approve such applications in lieu of bringing each individual case to the Board. Board members agreed with this proposed delegation but asked that all cases approved by the Chairman or President be reported at the Board meeting following such approvals. [ ] then moved that the GEHA Board delegate to the Chairman and to the President the authority to accept and approve applications for contract health insurance from contract employees who are neither U. S. citizens nor resident aliens, with the provision that all cases referred be reported at the next subsequent Board meeting; [ ] seconded the motion, which was unanimously approved.

Next item for consideration was a proposed amendment to Section 5, Article V, of the Bylaws. Section 5 currently reads:

"Meetings of the Board of Directors shall be held in the months of February, May, August and December and at such other times as the Chairman deems necessary or any

two Directors may request. Notice of the Directors' Meetings shall be given in such manner as the Board of Directors shall by resolution prescribe."

STAT

[ ] said the requirement for the Board to hold its meetings in the specific months of February, May, August and December has been too restrictive and that meetings should be held when deemed necessary. He pointed out that the proposed amendment eliminates reference to specific months but said that as many meetings would probably be held each year. During a short discussion, Board members expressed the opinion that there should be a minimum of two meetings per year and that a statement to this effect should be inserted into the amendment to the Bylaws. [ ] then moved that Section 5, Article V, of the GEHA Bylaws be amended to read as follows:

STAT

"Meetings of the Board of Directors shall be held at such times as the Chairman or President deems necessary or upon call by any two Directors. Notice of the Directors' Meetings shall be given in such manner as the Board of Directors shall by resolution prescribe. A minimum of two meetings shall be held each year."

Mr. Janney seconded the motion, which was unanimously approved.

STAT

Final subject for discussion at this meeting was the Income Replacement Plan. [ ] reported that the current plan has been suffering unfavorable experience and has been losing money over the years. He said the underwriter has been encouraging GEHA to replace this particular plan during the past year and that Mutual has proposed a number of new plans which have not been acceptable. The most recent proposal submitted by Mutual is one which he and the other Officers would recommend to the Board. Attached is a comparison of coverage between the proposed plan and the current plan and a schedule of rates. In pointing up some of the differences in the plans, [ ] said the rates for the new plan vary according to age, which should allow younger people to afford this coverage. Under the present plan, two fixed rates are charged, one for the 30-day elimination period and another for the 90-day elimination period. The new plan offers only the 90-day elimination period, with a single rate according to age group. A favorable feature of the new plan is that it requires no coordination with other coverages or benefits such as sick leave and FEC payments. Maximum benefit is \$500 per month. Another significant feature is that members currently enrolled in the existing Income Replacement Plan may enroll in the new plan without submitting evidence of insurability. However, those enrollees currently on disability would continue to draw benefits under the provisions of the present plan until they return to active work, at which time they would be given the opportunity

STAT

to enroll in the new plan without submitting evidence of insurability. An Agency-wide notice will be issued if the Board accepts the new plan and a notice of change will also be sent to each individual subscriber.

STAT At the end of [ ] presentation, the Board expressed concern with the underwriter's written exclusion in the proposed Income Replacement Plan of the following: "Does not cover disability as a result of pregnancy or its results." After a lengthy discussion of the broad spectrum this exclusion would cover, Board members requested the Officers approach the underwriter and request that this exclusion be modified. Mr. Janney then moved that the Board accept the new Income Replacement Plan as proposed, providing that the underwriter include coverage in the event of total disability due to complications of pregnancy; [ ] seconded the motion, which was unanimously approved. (Subsequent to the meeting, the underwriter agreed to the modification of the pregnancy exclusion, requiring only a slight increase in premium for those in the younger age groups.)

STAT There being no further business, the meeting was adjourned at 10:35 a.m.

STAT [ ]  
Secretary



## SUMMARY OF COVERAGE

Government Employees Health Association Group Disability  
Income Protection

<u>New Plan</u> (Policy Form XXXXX) Becoming effective (date)		<u>Present Plan</u> (Policies 11D and 17D) discontinued effective (date)
\$100.00 to \$500.00 a month, in \$100.00 increments	COVERAGE AVAILABLE	\$25.00 to \$100.00 a week, in \$25.00 increments
To age 65 for Accident To age 65 for Sickness	BENEFIT PERIODS AVAILABLE	Lifetime for Accident 10 years for Sickness
Benefits begin after 90 days	DEDUCTIBLE PERIODS AVAILABLE	Benefits begin after 30 days Benefits begin after 90 days
Up to 2 years	BENEFIT PERIOD FOR MENTAL & NERVOUS DISORDERS	Up to 10 years
No benefits provided	PARTIAL LOSS OF TIME BENEFITS	50% of the weekly benefit for up to 13 weeks
No benefits provided	MEDICAL BENEFIT FOR INJURIES	Up to an amount equal to the weekly benefit, in lieu of disability benefits
No limitation	AIRCRAFT PASSENGER LIMITATION	Member covered only as passenger while boarding, riding in or alighting from a licensed common carrier aircraft operated by a licensed transport pilot upon a regularly scheduled passenger route between airports
Coverage can be cancelled only if: <ul style="list-style-type: none"> <li>premiums are not paid</li> <li>insured is no longer an employee or member</li> <li>the Master Policy is</li> </ul>	CONDITIONS OF RENEWAL	Coverage can be cancelled only if: <ul style="list-style-type: none"> <li>premiums are not paid</li> <li>insured is no longer an employee or member</li> <li>the Master Policy is terminated</li> </ul>

<u>New Plan</u>		<u>Present Plan</u>
Premium will be waived after three consecutive months of disability	WAIVER OF PREMIUM PROVISION	Premium will be waived after six consecutive months of disability
Total disability means that period of time during which the Insured is completely unable to engage in his or her occupation or any other gainful work or service for which he or she is reasonably fitted by education, training or experience	DEFINITION OF "DISABILITY"	Total disability means that period of time during which the Insured is completely unable to engage in his or her profession or occupation. However, if the disability continues for more than 52 weeks, total disability is then defined as that period of time during which the Insured is completely unable to engage in any and every gainful profession or occupation and receives no remuneration for work or service performed.
<p>Does not cover disability as a result of:</p> <ul style="list-style-type: none"> <li>declared or undeclared war or acts of war</li> <li>service in military, naval or air services</li> <li>intentionally self-inflicted injuries or sickness</li> <li>pregnancy or its results</li> <li>attempting or committing a felony</li> </ul> <p>To qualify for benefits, the Insured must be regularly attended by a legally qualified physician.</p>	EXCLUSIONS AND LIMITATIONS	<p>Does not cover disability as a result of:</p> <ul style="list-style-type: none"> <li>war or any act of war</li> <li>military, naval or air service</li> <li>suicide while sane or insane</li> <li>pregnancy, miscarriage or childbirth</li> <li>air travel, except as noted above</li> </ul> <p>To qualify for benefits, the Insured must be under professional care and regular attendance of a legally qualified physician, other than himself.</p>
<p>90-Day Deductible (rate structure)</p> <p>Rates increase with attained</p>	ANNUAL PREMIUMS	<p>30-Day Deductible (rate structure)</p> <p>90-Day Deductible (rate structure)</p> <p>Rates do not increase with</p>

RATES

New Plan (Based on a flat benefit of \$100/mo.)    Present Plan (Based on \$25/wk - \$108.33/mo.)

Age	Annual Premium	Age	Annual Premium
Under 30	\$ 8.80	Rates do not increase with attained age	\$27.40*
30-39	13.54		
40-49	16.43		\$30.20**
50-59	26.60		
60-64	33.20		

\*Rate for the 90 day elimination period

\*\*Rate for the 30 day elimination period